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China

Reporting on Role of Special Economic Zones

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China

Reporting on Role of Special Economic Zones

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The following are selections from South China and Hong Kong newspapers.

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SHENZHEN

State Council Official on Shenzhen SEZ

94CE0774A Shenzhen SHENZHEN TEQU BAO
in Chinese 4 Aug 94 p 1

[Interview With Huang Taihe (7806 3141 0735), Chief of the SEZ Section of the SEZ Office of the State Council: "Zhenzhen SEZ Has Four Major Advantages"]

[FBIS Translated Text] The speech General Secretary Jiang Zemin made during a recent inspection of Shenzhen and Zhuhai special economic zones (SEZ) is an important speech made at the critical moment when the SEZs were entering a new phase of development. Comrades of Shenzhen SEZ are learning. We, comrades of the SEZ Office of the State Council, are also learning. What is the next step in the development of SEZs is an issue of common concerns.

To increase and create advantages of the SEZs and scale new heights, a very important issue, in my opinion, is to unify people's understanding of the advantages which now exist in the SEZs. What kind of advantage does the SEZs have? How do we develop these advantages? What new advantages can we create using the existing advantages? Unless they have a clear understanding of these issues, cadres in the SEZs cannot unite the people, pull everyone together, and march toward the goal of "increasing and creating new advantages." Because of this, publicity and education is an important, priority task in increasing and creating new advantages. This demands that propaganda departments and the media do more work in this regard.

Compared to other localities in China, the SEZs currently still have many advantages. As far as policies are concerned, policies introduced to boost development in the initial period of the founding of SEZs, such as tax reduction and profit exemption, have decreased relatively in number, which is a timely adjustment made by the central government according to the progress of the SEZs. However, the SEZs, especially Shenzhen, relying on the advantages in location and the policy of tax reduction and profit exemption and through the reform and construction of over one decade, have increased their economic power and formed some new advantages. For instance:

Advantage in investment environment. Shenzhen has airports and harbors, beautifully constructed train stations, completed highways, convenient and fast communication facilities, and the highest rate of phone installation among Chinese cities.

Advantage in first experimentation. Shenzhen SEZ is a testing ground for reforms and opening up. Many past policies and to-be-introduced important reform measures were always tested first in Shenzhen, enabling it to be 10 years or so ahead of other regions in the operation of the market-oriented economic model. This advantage of being ahead has led to a number of other advantages, such as advantages in economic movement mechanism, systems, and concepts (including the concepts of market, efficiency,

human resource, price, and competition). These advantages are very useful to the future development of the SEZ. They have provided extremely favorable conditions.

Advantage in the legal aspect. We cannot deny that there is a fairly large gap between the building of legal system in Shenzhen and the requirement for the establishment of an orderly market economy. But Shenzhen still has more laws and rules and regulations when compared to inland China. Statistics show that Shenzhen has promulgated more than 60 laws regulating the market economy, including corporation law, land control law, and labor law, etc. Since the National People's Congress gave Shenzhen SEZ the legislative power, Shenzhen has had a tremendous advantage in accelerating legislation, strengthening law enforcement, and establishing an orderly market economy and legal protection when compared to other regions. Shenzhen also has a unique geographic advantage. Adjacent to Hong Kong, Shenzhen enjoys an exceptional geographic advantage which should be fully utilized in international trade. Take Futian Bonded District for instance. Located on Huanggang Port, it can take full advantage of the fact that its land is cheaper than Hong Kong and that it has direct access to Huanggang Port to vigorously develop the storage industry, entrepot trade, and technology-intensive processing industries. It does not have to copy the development model of other bonded districts of China. If it can fully utilize its geographic advantage, Futian will definitely succeed in building a bonded district with its own characteristics and the three major functions of development of bonded districts proposed by the central government, thereby creating new advantages and fresh experiences.

With regard to increasing and creating advantages for the SEZ, in view of the current situation of development of the SEZ and the overall environment of China and other nations, I think that the SEZ next should make efforts to create the following advantages. First, it should improve the intangible conditions of investment environment, raise the efficiency of government organs, and strengthen departmental coordination. If the tangible and intangible conditions of investment environment are substantially improved, Zhenzhen SEZ will be more attractive to foreign import and domestic integration. It will be able to attract more large international financial groups and large enterprises to invest in Shenzhen. It will also be able to attract large enterprises or research organizations from inland China to start enterprises in Shenzhen to speed up Shenzhen's industrial restructuring and upgrading. Second, it should form the advantage of window and base. More advantages need to be created in this regard. For instance, it should improve port construction, reform the unified inspection system, and vigorously develop the tertiary industry to raise its standards. Third, it should establish the advantage of entering the international market. Shenzhen was among the first to open up to the outside world and is more experienced in dealing with the international market. Therefore, it should have more enterprises seeking development overseas, creating new experience, pushing more inland enterprises to the international market, and playing the role of "vanguard."

Fourth, it should create the advantage of ideological progress and strive to practice the thoughts of Comrade Deng Xiaoping. The Shenzhen SEZ should accelerate not only material but also ideological progress, genuinely achieve Chinese-style socialism, and build a special economic zone with Chinese characteristics.

Mayor Discusses Future of SEZ

94CE0684A Hong Kong WEN WEI PO in Chinese
6 Aug 94 p A3

[6 Aug 94 p A3]

[First of three installments by Shenzhen correspondent Lin Yudong (2651 5940 2767) titled: "How the Shenzhen Special Economic Zone, SEZ, Can Maintain Its Advantages—Shenzhen Mayor Li Youwei (0632 2589 3634) Talks About SEZ Development"]

[FBIS Translated Text] The China mainland has been carrying out reform and opening to the outside world for a decade and a half. As this east wind blows along from coastal areas to inland China, many people are wondering what advantages as a leader in reform and opening to the outside world does the Shenzhen SEZ still have today. What additional advantages is it creating? What is the next role it will play. What will be its role?

Armed with these questions, the correspondent had the good luck a few days ago to attend the recently convened Shenzhen Municipal CPC Committee work conference. There he listened to CPC Committee Secretary and Mayor Li Youwei discuss these issues, gaining an understanding of the municipal CPC committee's and municipal government's operational policy for the near future.

Change in Work Standpoint

Li Youwei said that during a recent personal inspection of Shenzhen, General Secretary Jiang Zemin reiterated the "three no change" policy for Shenzhen, namely "no change in the Central Committee's determination to develop SEZs, no change in the Central Committee's basic policy toward SEZs, and no change in the position and role of the SEZs in national reform, opening to the outside world, and modernization." This is General Secretary Jiang's follow-on to the important comments that Deng Xiaoping made during this south China inspection trip two years ago. These important remarks during a crucial period of SEZ development demonstrate the outlook and orientation for SEZ development in a new era.

Li Youwei quoted the remarks of Jiang Zemin during his Shenzhen inspection: "The SEZs must continue to enjoy the advantage of flexible policies that are needed and that can be carried out for future SEZ development; however, the standpoint and the emphasis for maintaining the SEZs' advantages should not be on flexible policies but on the intensification of various reforms, readjustment of the economic structure, improvement of overall management, improvement of the caliber of personnel, perfection of the investment climate, increasing economic returns, and amplifying legal system standards to raise the level of the

entire economy." "New advantages must be created to move upward, and the creation of new advantages and making the most of the SEZs new advantages must be used to develop a new character for the SEZs." Li Youwei said that these instructions of General Secretary Jiang clearly tell us that development of the SEZs has entered a new historical stage. The standpoint for SEZ work must change from the past rather heavy reliance on preferential policies and flexible measures to mostly self-improvement in order to create new advantages and improve overall caliber. Basically, the next step in Shenzhen's development can only be to rely on the intensification of reform and widening of the opening to the outside world, to rely on economic and social development, and to rely on better functioning of the city to move ahead and find avenues, rather than to rely solely on preferential policies. This is the only way in which the Shenzhen SEZ's "pacesetter" position can be truly superb. This is the only way in which this "test site" can be of greater reference value for the whole country, and the only way to make the most of the SEZ's radiating role toward the whole country.

Real Rise in the Overall Caliber of the SEZ

In discussing ways to raise the overall caliber of the SEZ, Li Youwei said that first is the need for real rise in the economic caliber of the SEZ. He said that the size, make-up, speed, returns from, and the SEZ's aggregate economic strength and reserve strength for development are all concrete reflections of economic caliber. After 14 years of development, returns are quite good from Shenzhen's high speed development. A basic foundation exists for an externally oriented economy, and Shenzhen's radiating effect on inland China is increasing with each passing day. However, by comparison with some large cities in China and abroad, the overall quality of the economy still has a long way to go. For the past several years, Shenzhen's economy has maintained a continuous high speed growth momentum, but pervasive readjustment of its industrial make-up has not continued. More must be done to make high and new technology industries, and tertiary industries produce a larger percentage of GNP. In particular, a number of key industries, smash-hit product industries, and mainstay industries having a major effect both domestically and abroad must be founded. Therefore, Shenzhen must do more to improve its competitiveness in international markets to make the contribution it should to the whole country's economic development. It must put its shoulder to the wheel and stress improvement of the quality of its economy.

Li Youwei emphasized that while further improving the quality of the SEZ's economy, increasing its ability to compete and its reserve strength for development, the ideological and moral caliber, and the scientific and cultural caliber of people in the SEZ must be raised as well.

Raising the Level of Management and Decisionmaking

Li Youwei feels that management level is the embodiment of a city's overall quality. He said the numerous problems

that have occurred in recent years in the process of developing Shenzhen's economy and society are essentially management problems.

In addition, Li Youwei said that the caliber of decision-making is one important indicator for judging the caliber of leadership teams and leading cadres at all levels. He said that some decisionmaking still tends to be unsystematic and based largely on experience. Sometimes, investment projects costing tens of millions or as much as 100 million yuan are decided by one person slapping his head. Some mistaken decisions, not only create direct losses for parts of a task but for the whole undertaking. They drag down the whole project. Therefore, improving overall quality requires improvement of the caliber of leadership teams and leading cadres at all levels to improve the quality of decisionmaking. In addition, standardized decision-making procedures must be followed, democratic decision-making adhered to, and decisions made scientifically.

[7 Aug 94 p A3]

94CEO684A Hong Kong WEN WEI PO in Chinese
7 Aug 94 p A3

[Second of three installments by Shenzhen correspondent Lin Yudong (2651 5940 2767) titled: "SEZ Development Maintains Fine Momentum; New Moves To Build Market Economy Institutions—Shenzhen Mayor Li Youwei (0632 2589 3634) Talks About SEZ Development"]

[FRIS Translated Text] Main Economic Indicators Heartening

Shenzhen Municipal CPC Committee Secretary and Mayor Lin Youwei has disclosed that the economy of the entire city has shown sustained, rapid, healthy, and coordinated development during 1994, thanks to Shenzhen's having diligently carried out the Central Committee's policy of "seizing opportunities, intensifying reform, expanding the opening to the outside world, promoting development, and maintaining stability. This has been manifested largely in the following two ways:

1. A fine growth momentum in principal economic indicators. Tremendous growth of the entire city's economic totals, its GDP reaching 25.039 billion yuan (renminbi, and the same applies hereinafter), 28.1 percent more than during the same period in 1993. Industrial production showed a general rise, gross output value reaching 26.979 billion yuan (at constant 1990 prices) for a 34.8 percent growth rate. The production-marketing rate reached 96.7, up 1.2 percentage points from the same period in 1993. Both market retail sales and imports saw steady increase. The city's retail sales of social commodities totaled 9.481 billion yuan, and imports totaled \$13.29 billion. This was a respective 34.7 and 28.8 percent increase.
2. Macroeconomic regulation and control scored marked successes. The degree of increase in capital construction investment subsided; building of urban infrastructure picked up, and the investment climate improved steadily. During the first half of the year, capital construction completed citywide totaled 8.38 billion yuan

in a 26.9 percent increase over the same period in 1993. The rate of increase receded 73.1 percentage points from the same period in 1993. The percentage of investment in tertiary industries rose, accounting for 84.1 percent of total investment, up 10.8 percentage points from the same period in 1993. Finance maintained steady, healthy development, the situation showing a good trend. Thirty of the city's key projects in 1994 emphasized urban infrastructure, communications, transportation, telecommunications, and energy industries. Building of these projects moved ahead smoothly. For example, work began in earnest on the second airport terminal building and expansion of the aircraft parking apron. The national government accepted work done on the first phase of the Yantian Harbor project, and the container wharf has begun formal operation. The number 2 electric power generator was installed at the Mawan Power Plant; preparatory work for the second phase of the project is fully underway; the State Planning Commission has approved construction of the eastern power plant project, etc.

Li Youwei disclosed that Shenzhen City has decided on a master concept for reform of economic institutions in 1994 as a means of creating more economic advantages for the Shenzhen SEZ, and to keep the economy moving ahead quickly and well. This concept consists of the establishment of a modern enterprise system as a nucleus for across-the-board promotion of enterprise incorporation. It also includes the achievement of new breakthroughs in reforms associated with the transformation of government functions, such as the establishment and perfection of the macroeconomic regulation and control system, the fostering and perfection of production elements markets, the building of a social security system, and the establishment of a market economy legal system.

Shenzhen is presently taking a series of strong actions related to the above concept to promote pervasive reform of the economic system and the operating mechanism as follows:

1. Establishment throughout the city of modern enterprise system pilot project leadership teams, selecting 28 concerns to serve as pilot project units. These units will have to establish an enterprise legal entity system, a limited liability system, and a scientific management system as the "corporation law" requires. At the same time, the first group of 17 concerns has begun a state-owned assets licensing operating system, and it is further straightening out relations between government and enterprises in preparation for enterprises free from the control of administrative organs.
2. Major attention to readjustment of the economic structure centering around optimization of the industrial structure, striving to optimize the product make-up. Future emphasis in development will be on major efforts to develop high and new technology industries, basic industries, and tertiary industries. SEZ enterprises must truly make the market their orientation,

rely on science and technology, develop new products, increase the technology content of products, increase product competitiveness, and create more big seller and name brand products.

3. Enhancing and perfecting enterprises' administration and management largely through the transformation of enterprises' administrative mechanisms, lowering costs, reversing losses, opening markets, and improving returns.
4. Further widening of the opening to the outside world, mostly by doing more to attract business investment, speeding up development of an externally oriented economy. First, full use must be made of both civilian and government channels for increasing foreign publicity to provide investors in foreign countries—particularly in developed western countries and territories—a better understanding of the Shenzhen investment climate and investment opportunities. Second is selective and purposeful bettering of contacts and cooperation with large international consortiums and transnational corporations in order to attract them to make large, long-term investments as a means of improving Shenzhen's foreign capital utilization structure. Third is planned organization of high level activities abroad to attract foreign firms.

[8 Aug 94 p A3]

[Last of three installments by Shenzhen correspondent Lin Yudong (2651 5940 2767): "Creation of Economic Advantages Is Paramount—Shenzhen Mayor Li Youwei (0632 2589 3634) Talks About SEZ Development"]

[FBIS Translated Text] Useful Probing

Shenzhen CPC Committee secretary and major, Li Youwei believes that the Shenzhen SEZ's creation of more new advantages requires, first of all, the creation of greater economic system and operating mechanism advantages. During the past more than a decade, Shenzhen has done some useful probing in the establishment of socialist market economy institutions that we must continue to perfect and elevate in order to take the lead in establishing new socialist market economy institutions. Second, creation of more new advantages requires creation of urban functional advantages. It requires the building of an international airport at the Shenzhen airfield, and making the two port areas of Yantian and Shekou to the east and west, international entrepot ports. It requires the building of regional financial, trade, ocean shipping, tourism, and information centers, large ports and major transportation centers spurring the development of large scale trade, large scale trade spurring large scale finance, and large scale finance giving impetus to major development of the entire economy. This will enable Shenzhen to become a hub and a bridge that links domestic and foreign markets. Third is the need to create advantages in the form of industrial structure and product make-up, continuing to conduct a development strategy in which basic industries are the foundation, tertiary industries are mainstays, agriculture is fairly modernized, and science and technology are fairly

advanced to increase Shenzhen's overall strength. Much effort must be put into establishing advantages in a number of high and new technology industries such as computers and computer software, microelectronics and microelectronics components, telecommunications projects, and biological engineering. Fourth is the need to create greater advantages in the building of spiritual civilization, always working at multiple tasks at the same time, and working with might and main to promote complete progress in the society of the SEZ.

Li Youwei believes that in creating more advantages in the above four regards, it is particularly important right now to break new ground in making full use of the SEZ's basic policies, in meshing with Hong Kong, and in making full use of legislative authority, making them permeate the entire process of creating new SEZ advantages.

First is the need to use well and use to the full the basic policies that the CPC has given the SEZ, and making the most of the role of experimentation, demonstrations, and taking the lead in building socialist market economy institutions. While retaining without change the original basic policies of the SEZ, it is necessary to take the lead in establishing socialist market economy institutions and doing things according to international practice, actively making the most of subjective dynamism and creativity, continue to experiment boldly and explore actively, and continuing to play a model role as a vanguard in national reform and opening to the outside world.

Full Use of Special Zone Policies

Second is the need to take advantage of the opportunity that Hong Kong's retrocession in 1997 presents, actively dovetailing with Hong Kong. Hong Kong's retrocession to the motherland in 1997 is a political and economic event of major historical significance. A good job of meshing with Hong Kong requires efforts in six main regards as follows: 1) Using Hong Kong to develop Shenzhen. Hong Kong is an international financial center and trade center. We must use this advantage that Hong Kong possesses to strengthen ourselves. 2) Drawing support from Hong Kong for an international orientation. A very large portion of Shenzhen's foreign trade today is through the Hong Kong entrepot. We can draw support from Hong Kong in orienting toward international markets. 3) We can learn international practices from Hong Kong. In our establishment of market economy operating institutions, learning from Hong Kong how to handle matters according to international practice is most important. We must mesh better with Hong Kong operating mechanisms. 4) Join with Hong Kong to extend inland. We must forge links with Hong Kong's advantages in technology and finance to extend inland. 5) Maintain the "one country two systems" distinction with Hong Kong. Shenzhen is a socialist SEZ. At no time can it become an expansion or an extension of Hong Kong. We must keep a clear head and understanding on this point. 6) Link up with Hong Kong on the basis of mutual preference for mutual benefit to promote the common development of both.

Third is the need to exercise to the full Shenzhen's right to legislate. Li Youwei said that the NPC's conferral on Shenzhen of the right to legislate is another advantage Shenzhen has for taking the lead in building socialist market economy institutions. We must use this legislative right to the full to create a legal climate corresponding to that found in international cities. We must draw up legislation plans to hasten the legislative progress. We must work with all our might as Shenzhen City's work plans for governing according to law requires to conduct experiments in governing the city according to law, relying on the law, strictly enforcing the law, and punishing violations of the law. We must also boldly learn from and transplant successful laws and regulations from Hong Kong and other countries that we can use ourselves.

Shenzhen Daily's Commentaries on SEZs

94CE0724A Shenzhen SHENZHEN TEQU BAO in Chinese
12 Jul 94, 14 Jul 94, 16 Jul 94, 18 Jul 94, 20 Jul 94

[12 Jul 94 p 1]

[Article in five installments: "Shenzhen Daily's Commentaries on SEZ's"]

[FBIS Translated Text] Shenzhen needs to create new brilliance—part one of a discussion on increasing and creating new superiority in the SEZ.

Is the SEZ still special? Should it be continued?

Representing the Central Party and State Council, Comrade Jiang Zemin gave a strong and clear answer to this while inspecting Shenzhen recently: "The central government will not change its decision on developing Special Economic Zones; there will be no changes in the basic policies on SEZ; the SEZs' status in national reform and modernization will not change... we must carry on developing SEZ throughout the entire process of socialist modernization."

Comrade Jiang Zemin's speech was made at the critical moment of SEZ development after Comrade Deng Xiaoping made his speech during his inspection tour of South China; it has extreme importance and long term significance. This speech concluded SEZ achievements from the strategic position of the nation's modernization, pointed out the direction of SEZ development, and gave historical status to SEZ. It underscores that SEZ construction has entered a new stage. Meanwhile, the speech also shows that the central government's decision to further promote the nation's reform and opening, accelerating the establishment of the socialist market economic system, will have a massive impact on the whole nation.

After Comrade Deng Xiaoping inspected South China in 1992, the situation began to open completely throughout the country. Some favorable policies and measures which had been the SEZs' exclusively have been implemented in many areas. Under these conditions, some people think that the role of SEZ could be weakened, while others even think that the mission of SEZ has been accomplished, so they can gradually disappear. Various puzzles and worries

affect or prevent SEZ development. Comrade Jiang Zemin's speech dispersed various suspicious clouds. It fundamentally united the whole Party's thinking, considerably boosted enthusiasm among SEZ cadres and masses, and consolidated our confidence and determination to do a good job in operating SEZ.

Establishment and development of SEZ is an important component of the Central Government and the State Council's great strategic decision to accelerate modernization. Therefore, the function of SEZ not only cannot be weakened, rather, it needs greater development. SEZ not only will not disappear now, they will continue to exist for a long time, carrying through the entire process of socialist modernization construction.

Modernization in China demands that SEZ fulfill their role for the long term, and SEZ builders shoulder heavy responsibilities. For 14 years, the development and expansion of SEZ have been closely connected with the peaks of reform and opening throughout the country. In 1979, at the same time they formed the SEZ, the Central Party and the State Council conducted the first high wave of reform in China. In the later two reform peaks in 1984 and 1992, SEZ played an even more prominent role. Today, the speech made by Comrade Jiang Zemin while inspecting Shenzhen and Zhuhai will definitely leave a wonderful record in the history of reform and opening.

In such an ancient country as ours, with its vast territory, accomplishment of modernization demands hard and long term struggle. On the road forward, we will continue to face new situations, new problems and new difficulties. We need to conduct new studies, accumulate new experiences, sort out new ways. In this historical process, the SEZ function is irreplaceable. As a "window," SEZ will continuously provide new information on the outside world; as a "pioneer," SEZ will continue creating new roads; as "trial sites," they will raise strong new seedlings and grow rich fruits.

The future of our SEZ is in our hands. After more than 10 years' research and development, Shenzhen has accumulated certain experiences, trained its team, cultivated talented people, and has established a definite economic capacity. It has the conditions for self-development. Now, what is most important is for us to exercise our internal ability, bring our internal power into performance, transferring from relying purely on policies to improve our overall qualifications. Only in this way can we stay alive in increasingly tough competition, successfully facing the challenge of going toward the world. We should create new roads through our capacities instead of policies, for only such "pioneers" are really competitive. Such "trial sites" will have more reference significance to the entire nation. In this way we can really put the SEZ's radiative function to work.

SEZ will again leap to the forefront of the wave of reform and opening. Let us proceed full steam ahead, creating a new brilliance.

[14 Jul 94 p 1]

[FBIS Translated Text] Fully and effectively use our right to experiment—Part two of a discussion on creating new superiority in SEZ

Creating new superiority and advancing to the highest levels is an honorable and difficult assignment facing SEZ builders. How to create this new superiority? The most important thing is to make the most effective use of our right to experiment.

For more than 10 years, the key to the SEZ's ability to make major achievements has been the special policies and flexible measures that were granted by the Central Government, with the most important of these the right to experiment with implementing reforming and opening up. In the new circumstance of reform and opening. The existing favorable policies on SEZ have been changed, but SEZ have still been granted experimental rights in advance to implement reform and opening. On a recent visit to the SEZ, Comrade Jiang Zemin stressed that the SEZ rights to experiment will continue indefinitely, and will be carried through the whole process of socialist modernization.

SEZ practice has proven that the right to experiment is the biggest and most precious advantage. Having the right to experiment, we can remove obstructions and barriers that lie in our path, go down roads no one has traveled before, fight our way through unknown regions and "forbidden areas," capable of leading the entire nation in every reform measure. Therefore, the right to experiment granted us by the Central Government is the most favorite condition to SEZ development; meanwhile, it also puts very high demands for SEZ, and raises many expectations.

Using the right to experiment fully and efficiently is not just an empty statement, but it should be shown in reform practice in the SEZ, and be carried out in our detailed work of creating new superiority.

The SEZ's right to experiment is the right to experiment in conducting reform and opening. SEZ will still "eat a reform meal." In other words, is to continue carrying on the spirit of daring to struggle through and try, increasing the force of reform, accelerating reform measures; expand the breadth of opening to the outside to form a higher level pattern of opening to the outside. Now, the first step of all is to increase and create new superiority and urban functional superiority in reform.

What we mean by increasing and creating new system superiority is to take the lead in establishing in China the socialist market economic system and its operational system. In recent years, Shenzhen has made profitable studies of establishing the new market economic system, and have attained definite achievements. However, looking at the long term, the tests we have made are only preliminary, and the practice of establishing the market economic system is still in the foundation stage. So it is still a heavy responsibility for SEZ to increase and create system superiority. On the one hand, we need to consolidate and improve the achievements in system reform that

we already have; but what is more important is to start out from the practical situation of the SEZ, referring to the experiences of developed countries and areas, taking system reform to greater depth, especially for making breakthroughs in establishing such things as a modern enterprise system, macroeconomic management, the regulatory and legal systems, etc., quickly perfecting the socialist market system in Shenzhen. With system superiority, a prosperous SEZ is solidly guaranteed.

Increasing and creating urban functional superiority means that Shenzhen must move from a comprehensive SEZ to a multifunctional, modernized and internationalized big city. It will function chiefly by continuously implementing existing development strategy and regulating the industrial mix in expectation of forming a pattern of driving trade on a wide scale through big ports, driving successful finance through widespread trade, and driving overall economic development through successful financing. Formation of this pattern depends on our making leaps in both the soft and the hard environment; we especially must catch up with the international advanced level in improving and constructing the soft environment. When construction of the soft environment goes up, the hard environment can really perform. At present, the urgent matter is to improve further the level of management and learn to do business according to international practice. We must build as soon as possible a perfect legal system to achieve governance of our city by laws, and we must further improve democratic politics and building a spirit of civilization. Establishment of urban functional superiority will enable Shenzhen to become a pivot and bridge between the domestic and international markets at a higher level.

Fully and efficiently using the right to experiment will establish the SEZ's overall superiority as well as maintain it. Otherwise, if we satisfy ourselves with the status quo, hesitating to move forward, doing nothing, it would be the same as if the SEZ's right to experiment did not exist; not only will the SEZ fail to grow and create new superiority, it will also lose its existing superiority.

We believe that with the attention and support of the Central Government and the province, through our hard and creative work, the SEZ will definitely function at its best as an experimental site, and SEZ construction will leap to a new level.

[16 Jul 94 p 1]

[FBIS Translated Text] Creating a distinctive Chinese style—part three of a discussion of increasing and creating new superiority in the SEZ

When summing up the experiences of SEZ construction in China, General Secretary Jiang Zemin incisively pointed out that we must persist in combining theory and practice, uniting referring and creating, attempting to form and develop Chinese characteristics, a Chinese style and Chinese manner in the SEZ. This was set out first by Comrade Jiang Zemin; it marks a new development in SEZ theory while it raises new demands on SEZ work.

So, what is meant by "Chinese characteristics, Chinese style and Chinese manner"? This is a subject worthy of serious study by experts. Looking at the practice in the Shenzhen SEZ, we think that there are three essential factors. First, it is a socialist SEZ, and should have both a complete socialist market economic system and operate in accordance with international practice, becoming an economic stage full of energy and having a complete legal system; second, start out from China's situation, yet be good at introducing and referring to anything useful from foreign countries, using them and forming our own unique style, accomplishing both rapid economic growth and comprehensive social progress; third, at the same time that we are rapidly developing a material civilization, we must construct a high level civilization with socialist spirit to form a social spirit which appears full of national culture with a spirit of founding business, our people living and working in peace and contentment, seeking prosperity together. Simply, it is keeping flexibility and order, with prosperity but no corruption while the economy and society are booming. Compare to the various kinds of SEZ in the capitalist countries, ours are entirely different.

Building a socialist spirit civilization is key to creating a Chinese style in the SEZ. The practice since the establishment of the Shenzhen SEZ 14 years ago shows that although we have done a great deal of work in building a socialist spirit civilization with significant achievements, many problems still exist. The worry people usually have about Shenzhen is not the economic growth rate issue but the social spirit image. This is worthy of some deep thinking on our part. It explains that to a certain degree, constructing a socialist spirit civilization is more difficult than constructing a material civilization and that we have harder work to do. Therefore, comrades at each level of leadership must have higher self consciousness in emphasizing building a spirit of civilization, with greater resolution and more effort. Fostering new talents with the "four possessions" and a new look in one generation is not like building a house in three days, which has new technology and new material to use; rather, it requires that the whole party work on it in concert with each department and needs several generations' hard work. Once we succeed in constructing a spirit of civilization, it can be transferred to a huge material force to promote rapid SEZ construction and healthy development.

The stress is on construction of a spirit civilization. As an immigrant city where Eastern and Western cultures meet, Shenzhen is an experimental site that has taken the lead in the market economy, and it should try to become a "pioneer" in spirit civilization construction as well. We should create a social image that is more civilized and healthy than that of the interior, creating a socialist spirit civilization with our national characteristics which is higher than that of the West's. Therefore, we must hoist the flags of patriotism, collectivism and socialism, carrying on our traditional good morals, expanding our modern business foundation spirit combined with absorbing the achievements of Western civilization's achievements, arousing all social organizations and cultural and educational fields to do a good job of

this. Try to foster good habits of pursuing the ideal, complying with the laws and discipline, daring to create, constantly striving to become stronger, hardworking and thrifty, while unifying and contributing. There is no doubt that economic growth in the SEZ cannot be paid for by the sacrifice of spirit civilization. As we absorb the achievements of Western civilization, we must resist the influences of money worship, extreme individualism and a degenerate and declining life style. We must take effective steps to conduct an unremitting anti-corruption struggle, strictly attacking the "seven poisons" such as pornography, drugs, gambling, underground society, etc., and we must eliminate the "three companions" to purify the social atmosphere. These measures should never be relaxed. Otherwise, crime, robbery and prostitution will spread, and it will be the end of our reform and opening and modernization.

Shenzhen should have advantages in building the socialist spirit civilization. After more than 10 years construction, Shenzhen has a very solid material foundation, it has gathered and trained a number of groups of talent, it created such facilities as "Magnificent China" and "Window on the World," etc., and has its special characteristics and adequate cultural substance. With rapid economic development and speedy improvement of the people's standard of living, Shenzhen really has fostered modern ideas of civilization, such as a people's market concept, a competition concept, efficiency concept, time efficiency, etc., and it has increased people's socialist and patriotic feelings. Therefore, if we can steadfastly adhere to policy of "grasping with two hands," developing our superiority, increasing and creating superiority, we will definitely be able to establish and develop a Chinese style in the SEZ, creating a new image full of Chinese national morals and achievements of human civilization.

[18 Jul 94 p 1]

[FBIS Translated Text] **Open up a new cooperative situation between Shenzhen and Hong Kong—part four of a discussion on creating new superiority in the SEZ**

In less than three years, China will resume and implement sovereignty over Hong Kong, and it is just a little over five years till Macao returns. Contributing to the stable transition of Hong Kong and Macao and their long term prosperity and stability is an historic responsibility we cannot shirk.

To contribute to Hong Kong and Macao, we must first of all do our own business well, making excellent achievements in material and spirit civilization construction.

Since the implementation of reform and opening, the Shenzhen SEZ have taken full advantage of its geographic advantage of being next door to Hong Kong, importing overseas capital, technology and management experience, promoted China's progressive opening pattern of "SEZ-coastline-interior," and has played the role of "window" requested by Comrade Deng Xiaoping. Hong Kong has also found new economic growth fields through the reform and opening in the SEZ and interior and received rich returns from investing in the SEZ. The great strengthening

of economic capacity caused the good cooperative relationship of "I am in you, and you are in me too" with mutual benefit and prosperity.

To increase and create new superiority, Shenzhen needs to do more in the irreplaceable geographic superiority of being next door of Hong Kong, giving new substance to this superiority. We must use this superiority efficiently, flexibly, fully, and thoroughly. We still have much to do in this regard. In the past, we went to the world through Hong Kong as well as absorbing some successful means of international capital; we must persist in this, but we should do it by new thinking and new means. We should make the best use of the Shenzhen-Hong Kong connection, regulate our industrial mix, and learn to do business in accordance with international practice. Take reference from the successful experience of Hong Kong's development of a market economy and use our own experience to develop and expand our capacity. Only if we have a solid capacity can we undertake the historic responsibility of meeting Hong Kong's return and maintaining long term prosperity in Hong Kong. The stronger our economic capacity is, the faster our society will develop, the bigger our contribution will be to maintaining Hong Kong's prosperity and stability, and the superiority of the SEZ will function more thoroughly. Shenzhen's economic boom and the progress of civilization will show fully the superiority of the socialist system, letting the people of Hong Kong, Macao, and Overseas Chinese see their motherland's unshakable mind and firm steps in walking toward modernization through "the window of foreign policy" in Shenzhen. This way will strengthen their confidence in the motherland, deepening their patriotic emotions and love of the homeland.

With 1997 approaching, the Shenzhen-Hong Kong relationship will grow closer. To contribute to Hong Kong's boom and stability, Shenzhen still needs to strengthen economic cooperation with Hong Kong as well as try to improve the class of cooperation, widening the arc of cooperation, pushing cooperation between the two places to a new level. We must do a good job of connecting with Hong Kong and its economic operating system, connecting with international markets via Hong Kong; Shenzhen should also strengthen cooperation in such areas as science and technology, culture and education, public security, etc., to promote social progress in two places. Relevant industries or departments in Shenzhen should bring positivism, activism and creativity into play, promoting the cooperative relationship with Hong Kong, automatically doing a good job of maintaining Hong Kong's stable transition and its prosperity and stability.

The further development of the Shenzhen-Hong Kong relationship does not mean these two places will merge into one. No matter how the Shenzhen-Hong Kong relationship develops, the principle of "one country, two systems" will not change. Hong Kong will continue its currently operating capitalist system, while Shenzhen will still be the socialist SEZ. It is impossible for Hong Kong to replace Shenzhen as the "pioneer," "experimental site" and "window to the outside" in China's reform, while it is

impossible for Shenzhen to supplant Hong Kong in its position as an international finance, trade and tourism center either. These two places divided by a river are actually engaged in a two system contest. Of course, this kind of contest will not obstruct the currently existing multi-compensatory relationship. This is because a booming and stable Hong Kong is indispensable to reform and opening in Shenzhen, while Shenzhen's reform and development is also indispensable to keeping Hong Kong booming and stable. This close, mutually supportive and mutually beneficial economic relationship between Hong Kong and Shenzhen was this way in the past, it is now, and it will be so in the future.

Our existing policy is to maintain the stable transition of Hong Kong and Macao and their long term prosperity. Standing at the forefront of welcoming Hong Kong and Macao's return, the Shenzhen SEZ should automatically undertake this historic great responsibility.

[20 Jul 94 p 1]

[FBIS Translated Text] We still need to develop the spirit of "daring to battle through"—part five of a discussion on increasing and creating new superiority.

Two years ago, when Comrade Deng Xiaoping inspected South China, he made a famous point: "One important experience of Shenzhen is its daring to battle through." He pointed out that, "Without some spirit of daring to battle through, without some spirit of 'taking risk,' without some encouragement and force, we cannot walk down a good road; with no new road, we will not do new business."

If Shenzhen is to increase and create new superiority and move up to a new level, the key is the status of the cadres at each level: if they still have that kind of encouragement and force, we will still have the spirit of "daring to battle through" and "daring to take risk."

To continue playing the role of "trial site" and "pioneer" at a higher, new, starting point is like mountain-climbing: if one starts from the middle of the mountain, each single step forward will be particularly difficult. It is just like "it is easy to add a load to ten pounds, but it is hard to add a pound to a hundred pounds." Whether we can again create magnificence will depend entirely on our own ability. This is actually a test of the SEZ builders, and especially the of the intelligence and ability of cadres at each level. It is an even greater test of our spiritual quality and will.

Shenzhen's cadres have served as models in the wave of reform and opening and training in the practice of a market economy. They have a spirit of exploration, creation, unity and contribution. Just as a famous scholar once concluded, this is a sort of qualification superiority and it is one of Shenzhen's interior superiorities. Meanwhile, when looking at the majority of cadre teams in Shenzhen, we also should not ignore potential concerns which do exist. At the beginning of the year, the Central Party listed in the RENMIN RIBAO the ideological and practical problems existing in cadre teams: "More study and less social intercourse"; "more social investigation and study, less subjectivity";

"more practical issues, less empty words." These demands were also aimed at Shenzhen.

After implementing overall reform and opening throughout the country, some of Shenzhen's advantages were weakened, and progressive measures slowed down in certain areas. Honestly speaking, many matters which should have been taken care of remain undone, issues which should have been done well have not been done well; the blame for this cannot be placed on a lack of policy support, nor can imperfect subjective conditions be blamed either. Some of our cadres lack a spirit of vigor and have an impractical manner; these are the real reasons.

The spirit of "daring to battle through" advocated by Comrade Deng Xiaoping means daring to take risks in reform and opening and building socialist modernization, daring to "be outstanding," fully bringing one's creativity into play. While for some cadres in Shenzhen, this sort of spirit of "battling through" has lessened, there has not been that kind of encouragement and force. Some people think that we should be satisfied with the fact that by creating a Shenzhen in a bit over ten years, the "revolution" has arrived at its goal; some people see that the road is getting steep, the goals we aspire to are getting higher, so they withdraw from the difficulty since they no longer have the encouragement to strive; some people have the time to engage in social intercourse but not to study, so their ideas cannot catch up with the situation; when reform reaches their own authority or interests, they have learned to profess their love for what they really fear. There have been repeated battles in Shenzhen opposing this kind of showy and luxurious display, but the phenomenon of supervising work by impractical empty words and generalized principles is still quite common, while the practical working manner of staying with the keys to developing reform and conducting thorough investigation and study to resolve critical problems has already disappeared. There are a few cadres who are completely led and confused by capitalist money and women; they devote themselves to their private desires and pleasures, already putting SEZ business aside. If we do not slap them strongly to wake them up, they will slip into the mire soon.

This issue of the ideological manner of cadres is by no means a minor matter. A good manner is a silent order; it can arouse an army of thousands to fight in the battle. If it is not good, it will become the corrosive which dissolves the entire working team, and even if there are good policies and lofty aims, it still cannot organize and bring masses to struggle with united thinking and coordination. Therefore, to increase and create new superiority in the SEZ we must start to work on the cadres' ideological manner. This is the key to whether we win or lose. If we can make a breakthrough on this point, the existing superiority of SEZ will be strengthened, and new superiority can be created.

The new demands on the SEZ that were raised by the Central Government reflect the hopes of the masses of the SEZ people, and are an inevitable trend of SEZ development. This great mission excites people. As soldiers hear the bugle call to charge, the masses of Shenzhen cadres

should ignite their enthusiasm for the fight, arousing their spirit of daring "to take risks," unafraid of hardship and risk, diligent in study, bold to create, daring to explore, stressing practical work, and happy to contribute. If we can pluck up "that sort of courage and force," we will be able to eliminate all difficulties and create a new miracle, writing a new, magnificent chapter on SEZ business and construction of Chinese socialist modernization.

ZHUHAI

Zhuhai Official Views SEZ Development

94CE0722A Guangzhou NANFANG RIBAO in Chinese
18 Jul 94 p 4

[Article by Liang Guangda (2733 1639 1129): "Building New Economic Superiority in the SEZ"]

[FBIS Translated Text] In the speech Comrade Deng Xiaoping made during his inspection tour of southern China, he asked Guangdong to catch up with Asia's "four mini-dragons" within 20 years, and the party's 14th Congress requested that the province basically achieve modernization within that time. The establishment of this new strategic goal became the new power for social and economic development in Guangdong, as well as the power for building new superiority in the SEZ. Based on the realities of Zhuhai, we set as our goal the basic attainment of modernization through another 13 years of struggle, to build Zhuhai into an international, modernized, garden style seashore city and special economic zone with a booming economy and a prosperous civilization. The overall economic development of the city should attain the level of the world's mid-level developed nations, and the socialist spirit of building civilization leap to a higher level. It is manifested chiefly in advanced science and technology, strong and sufficient economic power, a prosperous life for the people, a complete democratic and legal system, and a good social style.

It is founded on Zhuhai's achievements in carrying out opening and reform during the past 13 years toward the goal of confronting the twenty-first century economic development strategy and the great objective of struggling another 13 years to basically achieve modernization.

—Rapid economic development. From 1980 to 1992, there was a steady 35 percent average annual domestic economic growth rate, especially in the past seven years, when the average progressive growth rate reached 60 percent. This is significantly higher than the average developmental rates for the same time period worldwide and nationally. The GDP will maintain a steady 33.7 percent growth rate until the year 2000. In 2010, it will still steadily maintain an average growth rate of 14.7 percent annually.

—The overall economic capacity increased considerably. Comparing 1992 with 1980, the GDP output value increased from 37.5 million yuan to 9.426 billion yuan, 24.1 times again what it was; the average per capita GDP output value was 11,413 yuan, the highest in

Guangdong; the gross societal output value increased from 76.4 million yuan to 19.099 billion yuan, a 24-fold increase; domestic income increased from 23.2 million yuan to 5.88 billion yuan, 24.3 times again what it was; and the budgeted fiscal income increased from 3.6 million yuan to 80.7 million yuan, 21.4 times again what it was.

- The people's income level and standard of living improved considerably. The average annual income for city residents in 1992 was up to 4,476 yuan. The net average income for rural residents was up to 1,498 yuan, while the average net income for fishermen has already reached the well-off level. The rate of telephone ownership per one hundred city residents is now 88.6 percent, which was near or up to the world's level for developed nations.
- Urban construction is beginning to take shape, and the investment environment is nearing perfection. There has been over 50 square kilometers in new city districts built up during the past 13 years; the multi-directional transportation net in which highways, shipping and the airport are the dominant factors has been established; there is a sufficient water and power supply; there is advanced telecommunication technology which has connected computer controlled telephones with 138 countries and areas in the world and over 700 cities and counties; our urban construction is beautiful with a clean environment, no pollution and a balanced ecology. It has attained the nation's highest standard.

It will be an honorable and difficult task for Zhuhai to basically realize modernization in thirteen years' of struggle. We must implement our plan in different stages, and our plan is divided into three stages:

The first stage is the period of the Eighth Five-year Plan, a preparation stage for opening the industrial mix. During this period, we should accelerate our building of the infrastructure, such large scale transport, energy, and telecommunications projects as ports, railways, the airport, transoceanic bridges and large scale power plants, etc., preparing a perfect, large environment for further major economic development. We will try to adjust the proportion of the three big industries to 8:48:44 by 1995.

The second stage will be the period of the Ninth Five-year Plan, the key stage for converting industrial development. During this stage, at the same time that we are continuously accelerating large scale infrastructural construction such as transportation, energy, telecommunications, we should try to begin building up a group of technologically intensive backbone enterprises and establish a very strong production ability. This will enable us to realize an industrial mix in which heavy industry and the raw materials industry are dominant, supported by light type fine processing trades. The proportion of the three big industries will be 5:45:50.

In the third stage we will form high and new technology and tertiary industry system. The modern cubic transportation net of ocean, land and air in Zhuhai will be established, and will have a decisive position in the

regional economy, and its radiative function will become increasingly important. During this stage, we must rely on our advantage of being close neighbors of Hong Kong and Macao. On the foundation of development in the first two stages, we will establish a system of new and advanced technological industry which will be led by electronic technology. Such areas as machinery, electronic instruments, fine chemicals, biological projects, and software industry development will be built up, and there will be vigorous development of tertiary industry. The proportion of the three big industries will be 3:47:50 in 2005.

During these 13 years, the five-year period from 1994 to 1998 is the key to our city basically realizing modernization. During these five years, we must concentrate on making significant breakthroughs in such aspects as establishing the market economic system, perfecting the industrial mix, strengthening infrastructural construction, regulating a regional economic layout, and developing education, science and technology. As we solidify and develop our existing superiority, we are forming a solid foundation for great development in the future.

This paints a beautiful future as well as raises higher requirements for Zhuhai to basically achieve modernization through another 13 years' struggle. Realization of this great strategic goal, must still rely on the hard work of all Zhuhai's people, liberating ideas, seeking truth from facts, rousing ourselves in vigorous efforts to make the country prosperous, doing a solid job.

—Increase investment, guarantee the key points, and concentrate on capital to storm the barricades in the battle around key projects. The nineties are a "golden age" for Zhuhai to build its infrastructure around transportation, energy, telecommunications and raw materials, taking the western district as the major battleground. In this storming of the barricades, to make a breakthrough on "bottlenecks" by the end of the century, we have decided on 31 key construction projects which are either are construction or in preparation for construction. We have determined to finish over 30 key construction projects such as Zhuhai Park, the airport, Guangzhou railway, the west, and three Guangzhou freeways in the west, central area and the east. The success of these projects will give Zhuhai a superior investment environment, and will show Zhuhai's regional value as an internationalized city. It will bring Zhuhai's productive force level and overall economic capacity to a higher level, and greatly improve the people's standard of living. In addition, it will also benefit the west of Guangdong, as well as be favorable to economical exchange and development with such provinces as Guangxi, Yunnan, Guizhou and Hunan.

—Reform the system, change the operating system, and gradually build up an administrative system and operations system that fits the socialist market economy, achieving a connection between Zhuhai and the international economic operations system. First of all, it is an urgent matter of reform to change the role of government. There must be reform of the current administrative

system and the Party's leading organs, simplifying administration and releasing rights, separating administration from enterprises, in accordance with the principle of simplification, unity and efficiency, reforming the current administrative system and the party's leading organs by means of revoking, merging, combining and shifting. The government should withdraw from microeconomic activities, shifting its administrative functions to conducting indirect economic regulation, controlling and improving the economic environment and implementing long term plans. Establish and improve the system of macroeconomic regulation and control, strengthen macroscopic regulation and control of market prices by means of economic laws and necessary administrative measures. Bring the market's regulatory function into full play. Second, there must be continuous development and improvement of the market system, establishing a complete system of market regulations. Further develop and perfect the consumer goods market and the production materials market, perfecting circulation channels and circulation methods. Pay attention to developing and breeding markets for such production elements as finance, labor, talented people, technology and information, etc., establishing and improving a property rights market, and perfecting the real estate market. Establish and perfect market regulations to form a market system which is comprehensively open, equally competitive, and operated in an orderly manner. Third, further reform the financial system, collecting more construction capital for the SEZ. Taking the establishment of transportation banks as the turning point, accelerate the commercialization reform of banks and financial organs, speeding up the reform of transforming them from specialized organs into enterprises; take the vigorous establishment and addition of foreign capital banks as a breakthrough to expand financial opening, try to induce foreign capital banks to operate their business in RMB. Look into establishing nonfinancial organs such as foreign-invested insurance companies, leasing companies and financial companies. Welcome and support financial organs which set up offices and operations in Zhuhai. Carry out further enterprise reform, enthusiastically establishing the modern enterprise system which meets the needs of the market economy. Continuously improve the contracted operations responsibility system, promote comprehensive reform in enterprises, implementing the joint stock system. In accordance with such requirements of modern economics as specialization, intensity, scaled and socialized operations, through such means as merger, reorganization, association, joint shares and controlling shares, etc., promote the reasonable flow and perfected organization of production elements; organize competitive large scale enterprise groups and transnational corporations with wide market coverage. Cultivate in Zhuhai pillar industries and fist products which both domestic and international reputations.

- Yield the market, yield tax interest and share rights, in comprehensively expanding opening to the outside. Opening to the outside brings us technology and capital;

it brings with it rapid economic development and significant improvement in people's living standard. There have been investors from 18 countries and regions investing in operating enterprises in Zhuhai in the past 13 years, there has been a total of more than 9,000 contracts using foreign capital, with foreign investment of \$4.604 billion stipulated in agreements, and the city has a total of more than 7,000 foreign capital enterprises established. In just the period from January to October of last year, there were 747 newly signed agreements using foreign capital, and contracts stipulating total foreign investment amounting to \$2.046 billion, with an actual foreign capital of \$38 million used. These were increases of 27.7 percent, 54.5 percent and 55.2 percent, respectively, over the same term last year. The SEZ is focusing on foreign capital, and in Zhuhai's economic mix, the "three capital" enterprises have a nearly 60 percent share of the gross production output value. Therefore, we will continuously carry out the policy of comprehensively expanding our firm and unshakable opening to the outside firmly and unshakably, vigorously attracting domestic and international business investment in Zhuhai by offering favorable policies as "yielding the market, yielding a part of tax interest and share rights," etc. We must continuously stand on the principle of mutual favor and benefit, using multiple elements of foreign capital as well as more flexibly. Welcome foreign financial firms and entrepreneurs to come in for investment and cooperation. For investment and cooperation in such infrastructural facilities and industries as transportation and energy, we will allow foreign capital to be in the majority, as much as over 80 percent. We will also attract foreign investors and even civilians in areas like Hong Kong, Macao and Taiwan to directly participate in shareholding, cooperation and joint ventures in building railways, bridges and operating industry by giving them a higher rate of return on their investment and lengthening the period of repayment. Meanwhile, take full advantage of the favorable conditions that were approved by the State Council, that "three capital" enterprises established in the west district can share in the favorable treatment of the SEZ, selecting about 100 key enterprises to conduct inviting business and joining in shares, etc. Reorganize these into "three capital" enterprises. At the same time, we also warmly welcome inland China to bring capital, projects, talented people and technology to Zhuhai, vigorously running Sino-foreign-inland joint enterprises.

- In the pursuit of large scale and high efficiency, vigorously develop high and advanced technology industry, taking high and advanced technology as Zhuhai's turn-of-the-century industrial strategy and leading industry, promoting Zhuhai's industry to a higher level. At the end of 1992, Zhuhai had quite a large group of high and advanced technology enterprises which had passed evaluation, several tens of projects with up to 2 billion yuan production output value produced by enterprises making high and advanced technology products. This

was more than 10 percent of the gross industrial production output value, and the share of its contribution to the gross production output value growth rate made by scientific and technological progress was 38.31 percent. Zhuhai's high and advanced technology industry has driven into the fast lane; it is showing increasingly strong power in improving society's productive forces. Therefore, it will be Zhuhai's development direction in the next 13 years to develop high and advanced technology with selection of focal points. The degree to which high technology develops will be one of the decisive factors in whether Zhuhai can basically achieve modernization within 13 years.

SHANTOU

Shantou Daily Comments on SE Zs

Shantou SHANTOU TEQU WANBAO in Chinese
15 Jul 1994

["The Special Economic Zones Must Continue To Be 'Special': First Article in a Series on Creating Greater Advantages for Rising to a New Level"]

[15 Jul 94 p 1]

[FBIS Translated Text] Editor's Note: During his recent inspection tour in Guangdong, CPC Central Committee General Secretary Jiang Zemin made some important remarks about problems in the development of the special economic zones [SEZ]. Beginning today, this newspaper will publish a series of article for the reference of readers written by a special commentator on how to use complete understanding of spiritual essence as a basis for integrating theory with practice, focusing on key areas, studying for the purpose of application, and guiding practice.

Among the important instructions that General Secretary Jiang Zemin gave during his inspection tour of Guangdong was the hope that people in the SEZ would follow the course that Comrade Deng Xiaoping had pointed out on creating greater advantages for rising to a new level. This is an important instruction that General Secretary Jiang Zemin made during a crucial period in the development of the SEZ. It is an expression of Comrade Deng Xiaoping's theory on the building of a distinctively Chinese brand of socialism, and it is an important guiding principle for good work in the SEZ. It offers extremely great encouragement and incentive for the rank and file of cadres and the public in the SEZ, and it holds important guiding significance for our accelerating the building of the SEZ to make Shantou a modern international port city. We must earnestly study and actively apply the important instructions of General Secretary Jiang, unify understanding, increase confidence, improve work, and strive to create greater new SEZ advantages so that all SEZ endeavors rise to a new level.

Creating greater new advantages requires updating ideas in order to gain a new understanding of the SEZ. With the opening of wider areas to the outside world in recent years, as well as the inauguration in 1994 of a series of major reform measures nationwide, some people suppose in the

wake of all-around reform and opening to the outside world, which affected the country from top to bottom, that the preferential policies accorded the SEZ have gradually been diluted. They are worried that the special economic zones are no longer "special." Some people are even apprehensive about whether they should continue production in the SEZ, etc. Addressing these problems in ideological perception, Jiang Zemin reiterated: "The Central Committee's determination regarding development of the SEZ has not changed. The Central Committee's basic policy regarding the SEZ has not changed. The position and role of the SEZ in national reform and opening to the outside world, and in modernization has not changed." He stated clearly that the view that "the position and role of the SEZ may be weakened or even gradually disappear is wrong." He emphasized "the need to make development of the SEZ permeate the entire process of socialist modernization." Practice shows China's policy of operating SEZ to be correct. Take the Shantou SEZ, for example. Although the pace of its development is slower than that of other SEZ, it has scored world-arresting achievements. During the 13 years since founding of the Shantou SEZ, GDP has increased 18.1 times in a 25.5 percent annual rate of increase. The gross output value of industry and agriculture has increased 12.4 times in a 22.1 percent annual rate of increase. Fiscal revenues have increased 123.8 times in an annual 23.1 percent rate of increase. The urban construction areas has expanded from 7.25 square kilometers to 40.5 square kilometers. The use of foreign capital has developed from scratch, gradually increasing to a cumulative more than \$1.4 billion. Shantou plays a "window" role, an "experiment" role, and a "pacemaker" role.

We are aware that the SEZ have a dual function: One is the "window" function, meaning the use of international sources of capital in a special economic form. The second is a "base" role, meaning that reformed experimental zones, and the forerunners and pacemakers in openness are also growth poles and sources of radiation for the development of productivity. Some SEZ preferential policies such as SEZ government examination and approval authority, SEZ enterprise examination and approval registration, import-export controls, and financial credit and industrial and commercial taxation policies were certified, as a result of experiments conducted in the SEZ, to be in keeping with the country's policy of making the people prosperous in China's circumstances. These preferential policies have gradually spread to all parts of the country, becoming policies of general benefit. This is a fine thing. It is the contribution to the whole country that the people of the SEZ should make. We should be happy about this and not sweepingly suppose that the SEZ are no longer special. Certainly, we must continue to have the advantages of the flexible policies that are needed and that are likely to be practiced for future development of the SEZ. However, special policies should no longer be the starting point and the emphasis in maintenance of the SEZ's advantages. Instead accumulated strength should be relied upon, all

attributes employed to win victory. We must rely on good use of the reform authority to experiment in "moving ahead first" that the Central Committee conferred on the SEZ. We must continue to explore bravely in order to do a good job of large scale opening to the outside world, using the large opening to the outside world to spur large scale development. We believe that only if the rank and file of cadres and the public in the SEZs have a uniform understanding of the position and role of the SEZs, inculcate a sense of lofty historical mission, and unite in struggle can the Shantou SEZ be run more vigorously and more solidly, more prosperously and more lively, and more effectively.

[16 Jul 94 p 1]

[FBIS Translated Text] "Construction of the tallest buildings begins at the ground." Shantou's modernization is at the crucial foundation laying stage. Only by doing a good job of laying the foundation, further improving the SEZ's investment climate, can Shantou's advantages in being located on the sea and facing the outside world be used to the full.

In his remarks, General Secretary Jiang Zemin said that further improvement of the SEZs investment climate, including improvement of the "tangible" climate, meaning the infrastructure, and also improvement of the "intangible" climate, meaning raising the level of efficiency in handling matters and providing services, improving laws and institutions are underpinnings for the greater creation of new advantages.

Shantou's realities suggest that the emphasis in our improvement of the "tangible and intangible" investment climate there should be on founded on tangible infrastructure in the form of transportation, energy, and communications, and on the strength of agriculture, industry, commerce and trade, building of the infrastructure being all the same in one year but greatly changed in three years.

Industry is the embodiment in concentrated form of a city's economic strength. Shantou's Sixth Party Congress decided on a policy for Shantou of "priority development of tertiary industries, vigorous strengthening of secondary industries, and steady improvement of the primary industry." This was a strategic readjustment of the industrial structure. We must devote great efforts to laying a good foundation for Shantou's agriculture, industry, commerce, and trade. We must steadily bolster the basic position of agriculture for full development of the rural economy. We must energetically buttress the basic industry, striving to reduce the serious backwardness of basic facilities and basic industries. We must accelerate development of mainstay industries to spur full development of the national economy. We must make rational adjustments to the structure of external economic relations and trade to increase the international competitiveness of our city's industry. We must accelerate development of high technology industries, and support the development of emerging industries and new products. We must give priority to the development of tertiary industries such as finance, information, posts and telecommunications,

tourism, services, storage, and insurance. In addition, we must optimize the organizational structure of industry, and raise the technological level of industry to make the industrial pattern more rational.

The key to speedier development of Shantou lies in human talent. We must incessantly lay a foundation for human talent through scientific and technical education. We must go all out in conducting "dawn plans" and scientific and technical "climb plans" in education, and we must publicize cultural "hundred flowers plans." We must constantly raise the overall caliber of Shantou's people to meet the arrival of the new upsurge in Shantou's opening wide to the outside world.

[17 Jul 94 p 1]

[FBIS Translated Text] The key to creating new advantages for the Shantou SEZ so that the SEZ can continue to be "special" lies in widening the degree of openness of the Shantou SEZ and finding new economic growth points. This may then be used as a carrier for operating a more open area in the Shantou SEZ.

The Municipal CPC Committee has been considering and pondering this problem since 1993. After investigation, study, and validation, it has decided on a bonded area, a high and new technology industries development zone, the Nanao Island Experimental Development Zone and the southern district as the key areas for expanding Shantou's opening to the outside world. Speeding up the development and construction of these areas to shape new economic growth points as quickly as possible, will provide new hope for the SEZ's future development.

Getting out of the old urban area to build a new area is a clever move for the creation of more advantages. Experience in economic development both in China and abroad has repeatedly shown that the development of new areas not only wins new development space for a city, but more importantly, it enables a city's economy to gain new vigor and vitality. Consequently, newly developed areas open to the outside world frequently become new economic growth points for cities. America's development of its west, Brazil's development of Brasilia, Australia's development of Canberra, Shanghai's development of Pudong, Zhuhai's development of its western district, and Suzhou's development of its Yulang [5940 2597] style industrial park have all become the most prosperous and vibrant areas in the economy of the countries and cities concerned. The Shantou SEZ began as a barren flatland tract at Long Hu. In the short space of 13 years, it became a modern style new urban area. Just as the newest and most beautiful drawing may be made on a blank sheet of paper, a new city can use new ideas, new plans, new industries, and new mechanisms in its operations. It is for this reason that we pin our hopes for Shantou's future development on key open areas such as its bonded area, its high and new technology industry development area, its Nanao Island experimental development area, and its southern district.

Quick development and construction of the three key areas and the southern district are necessary for new breakthroughs in reform and opening to the outside world.

Opening up of a new area open to the outside world is by no means a simple repetition of the old SEZ. Instead, new advantages must be created from a higher starting point and by employing new mechanisms for connecting the SEZ institutions, mechanisms, industries and markets with the international economy. These several areas must "accelerate the pace of participation in international economic cooperation and forge necessary links with the international economy as General Secretary Jiang Zemin said. They must take the lead in exploring and creating market economy institutions and make new contributions in deepening reform and expanding the opening to the outside world.

[18 Jul 94 p 1]

[FBIS Translated Text] As pacemakers in China's reform and opening to the outside world, the SEZs accumulated substantial economic strength during the first great surge of reform and opening to the outside world, thanks to their advantages as special zones, and thanks to the policy advantages and the institutional reform advantages that allowed them to move ahead first. Now that the special zone economy has spread throughout the country, and the entire country exhibits a pattern of opening to the outside world in an all-around way along the coast, along rivers, and along the borders, most of the preferential policies that only the SEZs formerly enjoyed have become generalized preferential policies for the nation as a whole, and the SEZs policy advantages have decreased markedly. How to maintain and create new advantages is an important issue in the SEZs continued development. The municipal CPC-proposed new advantages policy for a "three links and three hook-ups" construction mechanisms, which is based on Shantou's realities, is in keeping with the SEZ continued development orientation. Although the Shantou SEZ's preferential policies have diminished, coastal region advantages and advantages from the economy's external orientation remain. After the past more than a decade of reform and opening to the outside world, both people's ideas and the market operating mechanism have entered the market economy rather quickly, but the operating mechanism still has a very long way to go to catch up with the international economic operating mechanism. The inertia of the old mechanism of the planned economy era lingers in the operating mechanism today. In production, China has still not joined the ranks of the international division of labor. China's market system, particularly its production elements market system, and its market intermediary organizations are not sound. No real changes have occurred in government functions. The enterprise system has yet to move toward being a modern enterprise system, and state-owned enterprises have not become true main market entities... These disparities restrict the speed of the SEZ's further development. The municipal CPC committee's proposal for the "three links and the three hook-ups" is aimed at Shantou's development bottlenecks. It is a course that must be taken to create new strengths in the Shantou SEZ mechanism.

The so-called "three links" are linking the SEZ mechanism, industry, and markets to the international economy.

The so-called "three hook-ups" are hooking up with Hong Kong and Macao, Taiwan, and all the countries of the world. The "three links" are a goal. They are for the purpose of melding the SEZ with the world economy. They draw support from the opportunities that the international division of labor, the readjustment of industry, and the transfer of financial resources provide for the development of our own aggregate economic strength. Realization of the "three links" goal requires drawing strength from the impetus of the "three hook-ups." The two complement each other and advance each other.

The "three links" is, first of all, a linking of the mechanism and the world at large. The mechanism is an inherent, systematic, and dynamic expression of the system. System reform must be intensified for the building of a basic framework for the socialist market economy. Right now, the key lies in hastening the pace of modern enterprise system reform. It lies in meshing the microeconomic system with the enterprise system in general use throughout the world, these actions serving to spur a change in government functions, reform of China's property rights system, and the establishment and perfection of a social security system. Second is meshing the SEZ market with the international market. We must establish concepts of "large scale trade, large scale commodity circulation, and large markets." We must establish and perfect all kinds of commodity market and production element market institutions, and market intermediary organizations. The SEZ's markets must open to both domestic and foreign markets. Internally, they must incline toward eastern Guangdong, western Fujian, and southern Jiangxi, and open up markets in central China, north China, and even the entire country. Externally, they must look to Hong Kong, Macao, and Taiwan, move into southeast Asia, and open up foreign markets across the sea in European and the Americas. As an important port having a long history of foreign trade, the Shantou SEZ must not only take the lead in a market economy system in a general sense, but it must be more special that at present. Like special economic zones throughout the world, it must practice a free trade policy and make the building of a multipurpose, comprehensive, free port its development goal.

In short, we must use the "three links and three hook-ups" to spur the transformation of the city's system of organization and mechanism to shape a Shantou SEZ economic operating mechanism that "takes the market as its orientation, takes science and technology as a turnkey, forms production, supply, and marketing into an integrated system, juxtaposes domestic and foreign markets, and completely coordinates development of tertiary, secondary, and primary industries. This will create new advantages for the SEZ so that it will continue to serve as a pacemaker amidst the challenges of a new round of opening to the outside world!"

[19 Jul 94 p 1]

[FBIS Translated Text] Shantou has a large population on a small amount of land. Resources are relatively scarce. It's

basic raw and processed materials industries are weak. Only by taking the road of scientific and technical progress to found a scientific and technical SEZ that creates new advantages to develop strength can the strategic goal set by the Sixth Municipal Party Congress of "creating greater new advantages for rising to a higher level" be attained.

Of greatest importance in the tremendous development of social productivity is reliance on the power of science and technology. In the final analysis, international competition in overall national strength today is competition in science and technology. In the seven developed western countries of the United States, Japan, Germany, the UK, France, Italy, and Canada, scientific progress accounts for 60 percent of the contribution to the economy. In Shantou during 1993, it accounted for only 30.66 percent. To complete the upgrading of its industries, to make its industries high tech industries, and to strive for a 50 percent contribution to the economy from science and technology by the end of the present century, Shantou must conscientiously study and take to heart the spirit of the important instructions of General Secretary Jiang. Shantou must grip the rare opportunities and conditions that exist today for the commercialization of Chinese science and technology and its transformation for civilian use. It must use the Shantou SEZ's advantages to the full to set up a scientific and technical zone. Carrying out the "Climb Plan" that the municipal government formulated will require hard work in the following regards:

First is the building of internal and external channels, placing a major effort on doing a good job of bring things into the SEZ. We must bring in projects, bring in technology, and bring in capital to make up for the insufficient scientific and technical strength, the insufficient human resources, the insufficient scientific research achievements, the insufficient scientific and technical development capabilities, and the insufficient capital in Shantou. We must both continue to import foreign high and new technology projects and also do more to make use of the advantages offered by the wide contacts abroad, the market information awareness, and the many funding channels of Overseas Chinese. We must import high technology projects for use inside China, convert it into real productivity quickly to meet international market demand, and sell the products in the international market.

Second is the provision of carriers for the operation of high and new technology industries. Shantou must vigorously accelerate the building of high and new technology industry development zones and science and technology parks. It must boldly apply both domestic and foreign experiences in operating high and new technology industry development zones, adopt completely new models from elsewhere in the world, and accelerate their construction. It must emphasize the six large technological fields of micro-electronics information technology, biological engineering, new materials, fine chemical industries, energy technology, and electro-mechanical integration, which have great influence and broad applicability, produce high returns, and can play a leading role in economic development. Because

they are on the leading edge of science and technology and are principal economic entities, they can be used to break new ground in stimulating the establishment and development of a number of new industries for the formation of a group of high and new technology industries. We must be determined to found a number of transnational high and new technology corporations, and set up our own business agencies and enterprises abroad. We must directly employ international advanced technology, capital, and human resources to establish high and new technology industrial bases.

Third is solution to human resources problems. We must closely combine "Dawn Plans" and "Climb Plans," bring in and train up human talent, and build a strong and capacious science and technology corps, and a high caliber work force. Shantou must be sure to make use of the role of the existing science and technology corps, and find local intellectual resources. Not only is it necessary to set up a mechanism for the rational flow of scientific and technical human talent, to urge "intellect to become involved," and to encourage the operation of civil-run scientific and technical enterprises so that scientific and technical personnel can find positions that help them apply their intelligence and knowledge, but local youths should also be encouraged to respect science and technology, to study hard, to become adept in practical matters, and to meet challenges. The importation of human talent must be emphasized. We must use the "hiring of human talent, the use of capable persons, the borrowing of foreign brains, and the purchase of patents to raise the level of our city's science and technology with all possible speed."

[20 Jul 94 p 1]

[FBIS Translated Text] In his remarks, General Director Jiang Zemin stated clearly that creating additional SEZ advantages includes both creating additional economic advantages and material civilization advantages, but also includes creating additional spiritual civilization advantages, ideological and political advantages, and complete social progress advantages. This points the direction for development of the SEZs.

China is currently in the initial period of founding socialist market economy institutions during which the new overlaps the old and in which certain passive factors and negative influences are virtually unavoidable. As a SEZ city that neighbors Hong Kong, Macao, and Taiwan, it is on the leading edge of reform and opening to the outside world. Simultaneous with the receipt of advanced economic, scientific and technical, and cultural information, and taking the lead in entering the market economy, all sorts of passive factors may also imperceptibly permeate all aspects of social life. However, some cadres and the public at large still lack a profound understanding about greater building of spiritual civilization. In the course of doing their work, some units pay attention only to building the economy, ignoring the building of spiritual civilization. Or a situation like the one General Secretary Jiang noted has come about in some places in which "economic development is very fast and the building of material

civilization is very heartening. Relatively speaking, despite the many achievements made in building spiritual civilization, numerous problems exist." Therefore, the cultural caliber of the city's residents, the social rule of law, the quality of government service, and the beautification of the urban environment must all be raised. This means that we must regard the building of spiritual civilization as an important task i optimizing the investment climate, and creating new SEZ advantages. The building of an international port city is not simply an economic development process, but also a complete social progress process centering around building of the economy. It is a process in which the economy, politics, ideology, and culture play an intersecting role. Social progress means more than economic development; it means the flourishing of culture. The daily life of the public means more than material sufficiency; it means spiritual richness as well. Accomplishing this goal requires the following:

First is "working on intangibles and tangibles at the same time," combining the building of ideology with the building of concrete things. The building of "intangibles" is an important task in the molding of people. People must be helped to establish a correct value concept, outlook on life, moral concepts, and new ideas suited to modernization. People must be guided in establishing a spirit of arduous struggle and never say die attitude for the establishment of a SEZ resident spirit and demeanor that raises the overall quality of the whole people. The building of "tangibles" is the building of physical education and cultural facilities. These are important carriers for the building of spiritual civilization. They are the material basis for improving people's ideological and moral attributes, and their scientific and cultural attributes. Therefore, the building of the tangibles for spiritual civilization must be made a part of local development plans. The building of spiritual civilization must be given the same emphasis as the building of the economy.

Second is "doing something new and original," finding role models, establishing a new atmosphere, and setting up pacesetters. New role models and new pacesetters that exemplify the new ethos, the new atmosphere, and the new character of the times must be established. Every government department, every profession, and every enterprise in the SEZ must establish anew role models that exemplify the high level of spiritual civilization building in our city to serve as leaders in the building of spiritual civilization in the SEZ. Currently, a series of activities for education and practice is being widely condition for "building a new Shantou, and advancing toward the new century." This movement centers around the publicizing of 24 characters, namely, "new atmosphere, stimulating patriotic fervor and a spirit of being masters in one's ow house, promoting social morality, spread morality among staff members and workers, advocating family morals, and making the overall climate in Shantou better by beginning with making every person better and every job position better."

Third is doing something enduring, meaning that the building of spiritual civilization in the SEZ must be done

constantly, must have public participation, must be socialized, must be systematized, and must continue to be given attention. Being done constantly and enlisting public participation means that widespread and general participation is necessary for improvement of the overall social atmosphere. Being systematized means building various systems for regular administration. This means acting, not just talking, doing a solid job, and doing real deeds. This will enable Shantou to become a national level sanitary city, and to enter the ranks of the advanced as a "double model city," thereby becoming in deed as well as in word a modern international port city.

XIAMEN

Commentator on 'Special' Status

94CE0753B Fuzhou FUJIAN RIBAO in Chinese
22 Aug 94 p 1

[Commentator article: "Special Economic Zones Need To Be Made Even More 'Special'"]

[FBIS Translated Text] During the summer of 1994, General Secretary Jiang Zemin gave a speech on an inspection tour of Fujian and Guangdong, emphasizing that "special economic zones [SEZs] need to be made even more special." This is a new requirement for the SEZ establishment set forth by the Party Central Committee, as well as a great inspiration and encouragement for cadres and the public in SEZs. The report carried in today's FUJIAN RIBAO [translated above] on the efforts of the Xiamen SEZ to create new advantages, shows the continued emphasis on the word "special."

That SEZs need to be made more "special" is determined by the status, role, and growth prospects of SEZs in China's reform, opening and modernization. Since the Xiamen SEZ was established, it has played "window," "testing," and "leadership" roles, achieving spectacular successes. In recent years, General Secretary Jiang has inspected Xiamen twice, paying great attention to the establishment of the Xiamen SEZ. When inspecting Xiamen this summer, he fully affirmed the successes achieved in SEZ establishment, while clarifying that SEZs have entered a new development phase, in which intensified reform and exercises to build up their internal strengths have raised SEZs to new heights; in this new SEZ development phase, we need to develop new SEZ features by creating and fully displaying new SEZ advantages. This means that we need to better free up our thinking, revamping our concepts and breaking with our "small-city" mindset, to orient ourselves toward the larger world outside. It will be only by firmly establishing a "special" awareness that will enable us to take "special" steps, play "special" roles, and have a "special" impact. We need to raise our competitive awareness, competing as to product quality, design novelty, cost reduction, and management science, steadily raising our product quality to enhance our competitive ability.

To make our SEZ even more "special," we will have to use well and fully the series of special policies and "experimental" powers granted to us by the Center, continuing to

actively explore and take first steps to speed up our establishment of a socialist market economy, and striving to shift from development of SEZ stamina to reliance on system advantages, to gradually perfect market-economy forces. As Chinese reform to establish a socialist market economy is still far from over, SEZs, as experimental reform zones, still need to bring their "window" and "leadership" roles into fuller play. Aspects, such as international market economy advancement and science, and domestic reform, particularly need tested first in SEZ's, and then disseminated provincially and nationally once proved successful, which shows how special are SEZs.

To make SEZs even more "special," we will have to bring their "window" role into better play. SEZ's hold a special status in foreign economic relations and trade and technology exchange, having an ever-more urgent mission in drawing on advanced overseas experience and taking part in international economic macrocycles, particularly in the course of perfecting our socialist market-economy system. So SEZ's need to continue to make efforts to improve their soft investment climate, introducing foreign investment and advanced technology and management expertise faster, to develop our opening to the outside world in greater "height, breadth, and depth," and developing new technology to raise the overall quality of our externally oriented economy.

To make SEZs more "special," we will have to continue to make efforts to bring their geographic advantages into full play. Xiamen faces Quemoy and Taiwan, playing a special role in attracting Taiwanese investment that other SEZ's cannot replace, which is precisely Xiamen's advantage and distinction. Since SEZ's were set up, Xiamen has done a lot of work in attracting Taiwanese investment, achieving marked successes. We now need to continue to improve our investment climate, better attracting Taiwanese firms and Taiwanese investment, to develop our business and trade dealings with Taiwan. For all of our Taiwanese-invested enterprises [TIEs], we need to exercise better guidance and tighter macroeconomic control, guiding them to invest more in basic, high-tech, and high added-value industries, and in agriculture. We need to emphasize the development of the Haicang Investment Zone, continuing to build better infrastructures, such as port docks, power, and public works, freeing up our operations to attract firms and investment. Meanwhile, we need to speed up our development of several subzones, such as a duty-free zone centered in Xiangyu [Island], and an export-manufacturing zone centered in Huli, to bring our overall SEZ functions into full play, gradually expanding our SEZ functions and radiation effect beyond our island and to inland China.

Our SEZ was built with the guidance of Comrade Deng Xiaoping's theory on building socialism with distinct Chinese characteristics. SEZs need to play a "leadership" role in the building of not only our material, but also our spiritual civilization. Thus, for SEZs to create new advantages, they will have to make efforts in the area of building our spiritual civilization too, to create new distinctions.

Xiamen SEZ's Advantages Considered

94CE0753A Fuzhou FUJIAN RIBAO in Chinese
22 Aug 94 p 1

[Article by Li Zisi (2621 1316 1835): "The Hardware (Infrastructure) Shortage Is Being Supplemented with Software (Personnel Effort) To Take a Big Step in Attracting Taiwanese Investment—A Summary of Another New Stage Achieved by the Xiamen SEZ Establishment"]

[FBIS Translated Text] At a crucial time in SEZ development, General Secretary Jiang Zemin has inspected Xiamen once again from 22 to 24 June 1994, confirming Xiamen's great changes, and representing the Party Central Committee and State Council in solemnly reiterating that: The Center's determination to develop SEZs will remain constant, the basic Central policy on SEZ's will remain constant, and the historical status and role of SEZ's in China's reform, opening, and modernization will remain constant. This "three-constants" strategic thinking is inspiring the people in SEZ's to move resolutely ahead!

The Tenth Plenary (Enlarged) Session of the Seventh Xiamen Municipal Party Committee has conscientiously studied and implemented the spirit of General Secretary Jiang's key speeches, clarifying the Xiamen SEZ's historic mission. It has proceeded from Xiamen's realities, based on its immediate foundation, and focused on future development, to set forth eight areas in which it will create new advantages for Xiamen: 1) It will take the lead in establishing a socialist market economy, to create system advantages; 2) it will speed up its implementation of certain free-port policies, to create policy advantages; 3) It will intensify its development of business and trade cooperation with Taiwan, to create positional advantages; 4) it will do a good job of building its "hard" and "soft" climates, to create climate advantages; 5) it will adjust its industrial structure, to create industrial advantages; 6) it will develop its scientific education, to create talent advantages; 7) it will exercise its legislative authority well and fully, to create legal-system advantages; 8) it will reinforce its party-building and spiritual-civilization establishment, to create political advantages.

In the past month-plus, the Xiamen Municipal Party Committee has been guiding Communist Party members, cadres at all levels, and the public throughout Xiamen to a conceptual upgrading and ideological leap in the need for the word "Special" in Special Economic Zone [SEZ] to be made still more "special."

While all know that Xiamen's investment climate has improved sharply in recent years, both its "hardware" and "software" remain less than ideal. Bottleneck limitations in areas, such as energy and transportation, remain glaring. In particular, power supplies are severely inadequate, affecting industrial production and living standards. Railway transport and port handling capacity are unable to meet demand. Backward infrastructures cannot be upgraded all at once. While domestic and overseas investors may make allowances for this, there are still many complaints about the difficulties in doing business in

Xiamen. So hardware inadequacies are being supplemented with software. The "Resolution on Organs Throughout Xiamen Launching a Movement To Uphold the Party's Aim, Through Creating More SEZ Advantages," which was drawn up by the Xiamen Municipal Party Committee, calls for organs at all levels and the enterprises and institutions that perform administrative functions throughout Xiamen to start acting in their own units, their own jobs, themselves, and specific matters, emphasizing that leading government functionaries at all levels need to strengthen their sense of purpose, displaying public leadership at all levels, and striving before the end of 1994 for organs at all levels throughout Xiamen to make phased achievements in changing workstyles, to better resolve the matter of business difficulties, better overcome all sorts of unhealthy tendencies, clearly improve work efficiency, and better satisfy the public, both party and nonparty members.

This resolution by the Xiamen Municipal Party Committee has brought a positive response from both within and outside of [government] organs. The Xiamen Port Container Corp, which shoulders 65 percent of the transport assignment of the port of Xiamen, while investing in upgrading its storage space, adding computerized management, and improving its "hardware," is also steadily creating "software" advantages. On the heels of making a joint press statement with four other companies on 11 May 1994, strictly prohibiting trailer drivers from demanding or taking tips from cargo owners, it then hired on 22 July 30 representatives of Taiwanese-invested enterprises as freight quality overseers, as well as assigning trailer-service quality-feedback units to accompany trucks, which have been welcomed by cargo owners.

Xiamen's advantages and distinctions should be reflected in its economic cooperation and trade dealings with Taiwan. The Xiamen Municipal Party Committee and Government, while adhering to the principles of "Hong Kong, Macao, overseas Chinese, Taiwanese, and foreign investors all being welcome, and developing large, midsize, and small projects simultaneously," has placed its priority in soliciting Taiwanese firms on Taiwan's large enterprises, large consortiums, transnational corporations, and banking businesses. And based on the principles of "equal preference and appropriate relaxation of restrictions," it is expanding the fields of Taiwanese investment in Xiamen. Xiamen is now speeding up its formulation of the "Regulations To Encourage Investment by Taiwanese Compatriots," which will give legal protection to the legitimate rights and interests of Taiwanese firms. Xiamen has now approved more than 1,000 Taiwanese-invested projects, with a gross investment of over \$2 billion. Investment in Xiamen by Taiwanese firms is now characterized by growing size, more technology-intensive projects, and a diversified industrial distribution.

While supporting the existing well-run Taiwanese-invested enterprises [TIEs], the city of Xiamen is also actively developing trade with Taiwan. It is striving to make arrangements for annual cross-Strait trade talks, as well as

for Taiwanese commodity franchises, to gradually form a market for Taiwanese commodities. It has been disclosed that an exclusive Taiwanese trade market has been opened in Xiamen's duty-free zone, to attract Taiwanese raw materials, sales, and agency firms, for trading in the duty-free zone and the duty-free capital goods market. Increasing direct trade with Taiwan, stimulating small-scale trade, and attracting maritime trade to Xiamen's shores, have become general trends. Since Xiamen has put into effect policies, such as allowing Taiwanese compatriots direct access to the port of Xiamen starting on 1 August 1994, the Xiamen SEZ's new advantages in cross-Strait "Three Exchanges" [exchange of mail, exchange of air and shipping services, and exchange through trade] will be bound to be brought into increasing play.

In the first seven months of 1994, Xiamen's GNP was 7.15 billion yuan, up 27.3 percent from the same period in 1993; its gross port foreign trade was \$2.773 billion, up 27.5 percent from the same period in 1993, including exports worth \$1.875 billion, up 46.3 percent. The absolute value of and growth in its exports ranked first among the large and midsize cities in China. With these newly created advantages, the Xiamen SEZ will be bound to take big strides toward the outside world.

HAINAN

Series on Jiang Zemin's Speech on SEZ Development

94CE0725A Haikou HAINAN JINGJI BAO in Chinese, 9, 12, 14, 16, 19, 21 Jul 94

[Series in six installments entitled, "On Studying General Secretary Jiang Zemin's Speech on a New Phase of SEZ Construction"]

[9 Jul 94 pp 1, 2]

[Part 1—Article by reporters Chen Tao (7115 3447) and Chen Jingjun (7115 0079 6511) entitled "In the New SEZ Construction Phase, Hainan Must Achieve New Superiority—Notes From Interview with Gu Kewu (0657 0344 2976), Chairman of Hainan Province's Federation of Social Science Circles"]

[FBIS Translated Text] *Editorial Note:* During General Secretary Jiang Zemin's tour of Guangdong, he made an important speech on the development of SEZs. It was the most systematic speech, a speech richest in content, delivered by a Party Central Committee leader on the development of SEZs since Comrade Deng Xiaoping's speech during his 1992 South China tour. It was also a very focused, very incisive expose which no doubt will have a profound impact on the healthy development of China's SEZs. As the nation's largest SEZ, Hainan must diligently study and thoroughly understand General Secretary Jiang Zemin's speech on the new phase of SEZ construction and work hard to achieve new superiority. To truly understand the gist of General Secretary Jiang Zemin's speech and promote the SEZs' development, HAINAN JINGJI BAO is starting a special column and has invited the province's leaders, experts and scholars, and well-known personalities

to speak freely on what they personally have learned and gained from the speech, so as to promote this large special zone's vigorous development. In the interview, Gu Kewu, chairman of Hainan Province's Federation of Social Science Circles, came straight to the point and spoke incisively on his personal viewpoints.

He said, "General Secretary Jiang Zemin made some very important suggestions on SEZ development during his fact-finding tour of Guangdong. He emphasized three things that would not change and five important points—the central government's determination to develop SEZs, the basic policies toward the SEZs, the role and functions of SEZs in China's reform and open up and modernization. He spoke for the Party Central Committee and answered questions every citizen, investor, and builder of special zones is concerned about. General Secretary Jiang's speech on SEZ development was the most systematic speech, a speech richest in content, delivered by a Party Central Committee leader since Comrade Deng Xiaoping's speech during his South China tour in 1991. It was also a very realistic and focused exposition. He revealed that the development of China's SEZs had entered a new phase, and he pointed out what we could possibly achieve in this new phase. In terms of theoretical and practical guidance, this will have a profound impact on the SEZs' healthy development." In Gu's opinion, people are confused about the future of the SEZs. This is mainly because they see that the differences in systems are disappearing, the biased policies are changing, and the policy advantages are diminishing. This kind of thinking is caused by four factors: The impact of macro regulation and control is the same in the SEZs as in the rest of the nation; policy biases that used to be based on systems and regions are now more industry-based; the localities are setting up development zones arbitrarily and formulating their own preferential policies; China's return to GATT is imminent. We can understand people's confusion, but such confusion is caused mainly by their static observation of the present state of the SEZs. If we turn around and try to truly understand General Secretary Jiang's thesis that China's SEZs have entered a new phase and should improve their overall quality and achieve new superiority, then the problem will solve itself.

In this new phase, where are the SEZs heading, and what are their advantages? Gu Kewu said that the SEZs must create new superiorities. This is the key to their development as they enter a new phase; this is what historical development expects from them. If they cannot start a new phase, they will have no future; if they cannot generate new advantages, their development will never enter a new phase. Gu Kewu said that we must cherish Hainan's existing superiorities, but if we do not work hard to create new advantages, we will become reckless and be thrown into passivity.

On General Secretary Jiang's point that the SEZs must be even more "special," Gu Kewu interprets that as: one, SEZs must stay; two, they must find new ways to be "special." He said that dynamically speaking, "special"

means imbalance, and to be even more "special" means creating a new imbalance and using that to develop and build SEZs of a new phase. He said that General Secretary Jiang had pointed out succinctly that "it is wrong to think that since the whole nation is opening up to the outside world, the SEZs' role and function can be reduced and even be gradually eliminated," and he also said that General Secretary Jiang's instruction for the SEZs "to continue to actively explore and gather more experience for the sake of accelerating the development of the nation's socialist market economic system" was consistent. According to Gu Kewu, in theory, the SEZs must be even more "special" refers to five things: one, they are special in terms of policy. The Party Central Committee once gave Hainan a series of preferential policies which enabled Hainan to achieve remarkable results in economic development as a SEZ. Two, they are special in system, which means they are first to implement new policies. Three, they are special in economic environment by accelerating the pace of participation in international economic cooperation while linking essential tracks with the international economy and following international conventions. Four, they are special in democratic legislation, especially in legislative power. Five, they are special in experimentation. Hainan is the window to reform and opening up, and it must continue to give play to its role as "testing ground" and "scout."

Why should the SEZs be even more special? As a scholar, Gu Kewu said that it has to do with the central authorities' appraisal of the reform and opening up and the development and construction of SEZs in the last 15 years. The development of the SEZs has been a splendid achievement and has been a driving force in the nation's reform and opening up. The SEZs must be even more special because that is what their own development and the nation's reform and opening up require of them. But so far as the Hainan SEZ is concerned, why does it have to be even more special? Gu Kewu came up with five reasons: One, facts proved that the decision to turn Hainan into a province and the nation's largest SEZ was correct, as was the path we took. Two, Hainan's own situation makes it necessary. Hainan was once an economically backward region. To develop Hainan's economy, we had to go the special way of the SEZ. Three, Hainan SEZ's success makes it necessary. The six years since Hainan became a province and started the SEZ have proved that Hainan must continue its extraordinary pace of economic growth. Four, it is necessary in order to fulfill Comrade Deng Xiaoping's idea of creating several more Hong Kongs, for among the nation's several SEZs, Hainan is the one with the greatest potential for turning into another Hong Kong. Five, it is determined by Hainan's own future. If Hainan is to realize the new goal of making the people relatively well-off three years ahead of schedule and in time catch up with the developed nations and regions of Southeast Asia, it must create another new systems and develop its economy. This is the strategic goal of Hainan's development.

How should Hainan create new superiorities? Gu Kewu said that we must stand on even higher ground when we think about this question. He said that when Comrade Li Ruihuan [2621 3843 3883] toured Hainan, he said that Hainan's superiority laid in its openness and therefore today Hainan must create new superiority by opening up even more and at a higher level.

It must gauge the times and the developmental steps as it further opens up; it must have a good handle on opening up. Only in this way can we further liberate our thinking and make Hainan's economy prosperous. Gu also said, Hainan has already developed many advantages in the past, but it has no overall superiority. Today, it must create a complete set of superior factors. As to how, he said that we must make it a systematic project and give it new meaning, gather experience, and promote the propagation of our experience through legislation.

In discussing creating new advantages, Chairman Gu also said that Hainan should make greater strides in developing Hainan-Taiwan economic cooperation. We not only should strengthen cooperation in the civilian-run economy but should seek new breakthroughs in cooperation in the state-run (official) economy. To Hainan, cooperation with Taiwan should always be welcome no matter what form it takes. Currently, conditions are good for forging economic cooperation with Taiwan, and many people are interested. Taking a step forward, if there are new breakthroughs in the cooperation between the government-run economies of Hainan and Taiwan, it not only will remove some of the psychological barriers in our economic cooperation with Taiwan but will also facilitate further developments in the relation between the two shore of the Strait.

In Gu Kewu's opinion, considering the status and the demands of Hainan's opening up, if Hainan is to create new superiorities, it must make new breakthroughs in bringing in outside capital and setting up financial markets, which means it must have a capital market in which foreign capital makes up a fairly large proportion. This is essential to Hainan's development. Without the support of foreign-funded financial institutions, the development of FFEs will be greatly limited. In addition, from the point of a world financial center, Hainan requires substantial international financial business and a healthy financial system; it must guarantee freedom of movement of funds into and out of the area; it needs a complete legal system and well-developed communications facilities. Only with all that can it achieve its goal of becoming a world financial center. Thus, Hainan should again work on attracting foreign-funded banks and formulating more preferential policies; it must create conditions to set up a large financial market that links tracks with international financial markets. This is also an important part of Hainan's creating new superiorities.

When discussing the developmental trends of SEZs worldwide, Gu Kewu said there are three trends: One, there is the tendency to create large, multipurpose SEZs as a way to increase efficiency and competitiveness. Hainan is the

world's largest SEZ; it has tremendous potential for development, but in terms of comprehensive development, that is, in terms of industrial diversification, it is still underdeveloped and has not displayed comprehensive superiority. We should take note of that. Henceforth, Hainan must develop in all directions, including business, commerce, tourism, international consultation services, finance, high-tech and science, industry, agriculture, culture, communications and electronics. Two, there is a tendency to set up high-tech economic zones as a way to meet the challenge of the scientific and technological revolution and to leap into the ranks of the world's most advanced. General Secretary Jiang Zemin stressed that developing more high- and new-tech industries is the most urgent task today, and the SEZs should also head in this direction to create new superiorities. Three, for the old economic zones, it is time to transform and update their industries and convert labor-intensive industries to knowledge-intensive industries. Hainan is a large SEZ; it is also relatively young, only 6 years old. We should not over-emphasize this kind of change in Hainan. On the one hand, we can still conditionally accept some labor-intensive industries, but on the other hand, we should create the conditions to help some enterprises to turn knowledge-intensive and to develop some knowledge-intensive industries. Gu Kewu said, it is very heartening to study General Secretary Jiang's speech. He thinks our mind frame must quickly turn to this new phase of SEZ construction, and our action must be to go all out to create new superiorities for the SEZ, and the criterion is to increase Hainan Province's comprehensive strength.

[12 Jul 94 pp 1, 2]

[Part 2—Article by Xiao Yucai (5618 5148 2088), Professor of Economics and Chairman, Hainan University's School of Economics: "Develop the Market Economy and Further Open Up To Create New Superiorities"]
During his recent fact-finding tour of Shenzhen and Zhuhai in Guangdong, General Secretary Jiang Zemin pointed out that the SEZs must create new superiorities and be even more special. His speech not only was an affirmation of the SEZs' huge success in the last 15 years since their creation but also brought out a new issue worth serious thoughts:

Judging by the results, the SEZs have maintained their superiority and given full play to their roles as "window," "testing ground," and "scout" in China's reform and opening up and modernization undertakings in the last 15 years. These roles showed that the theory and practice of creating SEZs as proposed by Comrade Deng Xiaoping and the Party Central Committee were correct; it was a grand undertaking. Despite the fact that increasingly the SEZs' series of breakthroughs, including the basic policies and the preferential policies drawn up by the Party Central Committee as well as the measures adopted by the SEZ governments and the people to implement those policies, are being spread to the interior provinces and regions, and the differences between the SEZs' and the hinterland's policies are diminishing, the SEZs' status and function

have not diminished or disappeared. We must acknowledge that the SEZs are still maintaining their own "special" tone. To reinforce and develop the results, General Secretary Jiang's speech reiterated the three things that will never change: the Party Central Committee's determination to develop SEZs, the Central Party committee's basic policy toward the SEZs, and the SEZs' role and function in the nation's reform and opening up and modernization process. He also asked the SEZs to scale new heights and to display their character and style. No doubt it was a full affirmation and a great encouragement to the SEZs and to the people in the SEZs.

However, while affirming and encouraging, he was also spurring us on. Past success only showed that we had superiorities. Today, we are faced with a new situation and naturally we have new responsibilities, which is to create new superiorities. How? This is a question cadres and the masses in the SEZs need to think about.

To be sure, the SEZs are duty-bound to continue to give play to the advantages of the preferential policies, but it is obviously not enough to limit ourselves to enjoying and giving play to past preferential policies or even expect the Party Central Committee to grant us new favors. The reason is very simple. The whole country is practicing the market economic system, and the market economy demands fair competition under equal conditions. Thus, certain policies which the SEZs once practiced, are still being practiced, and may continue to practice, will gradually be adopted by the interior provinces and municipalities. This is only natural. It is just like propagating the results of some successful experiments. Thus, it will be difficult to begin another great undertaking by dwelling on national policies. Then what new steps should the SEZs take to create new superiorities? Secretary General Jiang summed it up into eight areas: Make the reforms more thorough, readjust the economic structure, strengthen comprehensive management, improve the quality of the personnel, perfect the investment environment, improve economic efficiency, strengthen democratic legislation, and improve spiritual civilization. General Secretary Jiang hoped that by working in the above eight areas, the SEZs would create new superiorities and scale new heights. Specifically, as far as Hainan SEZ is concerned, to give expression to the gist of General Secretary Jiang's brilliant words, we must focus on two things: develop and perfect the market economic system and open up even more.

Developing the SEZs' market economy as a way to create new superiorities will be our best strategic choice. Since the whole country is practicing socialist market economic system, how can we display the superiority of the SEZs' market economy? I think there are three important points worth our attention: a) Hainan is a province with diverse economic components coexisting as equals. Our law does not assign roles to specific components, which means they can all display their own superiority by competing in the market. Thus, we combine the development of the market economy and the market entities. b) The systems of distribution according to work and distribution regardless

of work are being implemented at the same time to give expression to the principles of social equality and efficiency. This system is the most effective triggering mechanism for maximizing profit in a market economy, and it also plays a very active role in smashing the big pot and egalitarianism and eliminating society's indolent tendency. ci) Hainan already has had several years' experience with minimizing the government and maximizing society; it has provided a good environment for developing the market economy, and can facilitate the change in the government's functions, accelerate the construction of a healthy official macro regulation and control system based primarily on law and economics. Hainan SEZ's superiority lies in the above three areas; they are what distinguish it from the interior provinces and regions. Giving play to these superior factors will enable Hainan to greatly accelerate the development of a modern enterprise system and display its market economy's great vitality.

To strengthen and perfect the SEZs' market economic mechanisms, we must create a macroeconomic environment that is "boundless as the sea and sky" to accommodate the market economy. This macroeconomic environment can only be created by opening up even more. The SEZs' market economy cannot be closed, planned, or controlled, and therefore it cannot be regional; instead, its essence is open, market-oriented, and free, and therefore it is international. Thus, only by further opening up can we make the market economic mechanisms display their effectiveness. Further opening up is significant in four ways: One, only by further opening up can we find out what the world's standard of civilization is, and only then can we find out what we need to learn; two, only by finding out about world civilization can we find out how far behind we are and how big a task we have in catching up to world civilization and how much outside (international) pressure we have on our backs; three, only by knowing our task (mission) and pressure can we produce the internal drive, and only then can we begin to talk about struggling and studying procedure and adopting measures; four, only if we know ourselves and our enemies can we find out what to bring into this country, how to bring them in, and to whom we should introduce them, so that what we bring into this country serve their purpose and what we don't want are rejected at the door, and so that what we need are brought in and whatever we bring in are lively and vigorous and can promote technological renovation and progress, raise the level of productivity, and make the economy and our culture more prosperous. Five, opening up or further opening plays a primary role and serves an important purpose in Hainan SEZ's reform and opening up. It can promote reform. This is what the Party Central Committee meant when, long ago, it instructed Hainan to "further open up and accelerate economic development and construction," or in other words, "make opening up the means to develop the island."

Hainan's further opening up should have its unique connotation, that is, we cannot open up just in the ordinary sense; rather, we must scale new heights and attain new goals. I believe this new height and new goal require

Hainan to become a free port. Scaling this new height and achieving this new goal is not only necessary but is quite possible. This is because as the nation's largest SEZ and the second largest island, Hainan has an exceptional geographic advantage of developing into a free port. It has the economic advantage of spearheading the market economic system, and it has the advantage of being fairly well prepared ideologically. At the same time, Comrade Deng Xiaoping's idea of creating several more Hong Kongs, which he proposed long time ago, and his high hopes in Hainan's development and the central authorities' turning Hainan into the country's largest SEZ and so on are theoretical and policy advantages for turning Hainan into a free port. These prove that the basic conditions—the time, the place, and the people—are in favor of Hainan's developing in the free port mode. I am optimistic that there is truly hope for the Hainan SEZ to create new superiority and attain yet higher goals.

[14 Jul 94 pp 1, 2]

[Part 3 of series; Article by Zhang Guoping (1728 0948 1627): "The SEZs' 'Specialness' Is a Precious Resource—Also on the Strategic Choice as Hainan SEZ Creates New Superiorities." The author is affiliated with Hainan Province's Federation of Social Science Circles]

[FBIS Translated Text] Hainan SEZ's economic development requires many kinds of resources. Land, technologies, funds, labor, and information are the most basic of resources. But without "specialness," or failing to seize this "specialness," or even if having seized this "specialness" we fail to make full use it, we will not be able to bring the other resources to full play.

This brings up two issues: How do we seize this "specialness," and how do we put it to full use?

Here, there is first the question of how to fully understand and grasp the full implication of being "special." Today, when people argue about Hainan SEZ's "specialness," they generally focus on the preferential policies. They believe that the SEZs are "special" only because of the preferential policies, and they think that without those preferential policies, the SEZs will no longer be "special." We must admit that judging by the SEZs' historical formation, this viewpoint is not unreasonable, because from the central government to the SEZ governments, all were dependent on the preferential policies to get the SEZs started. Yet, with the passage of time, the SEZs' economies have changed dramatically over the years. If we look back and reexamine this "specialness," we will discover that our earlier viewpoint is probably simplistic and narrow. If we look at this problem from the historical development point of view, we must inject a new connotation into this "specialness."

In my opinion, perhaps we should interpret and grasp the Hainan SEZ's "specialness" in the following ways:

One, "special" in policies: Existing preferential policies will stay. This means the 15 percent income tax and the

terms of tax exemption and reduction will continue; enterprises' key energy and communications construction fund and the state's budgeted regulation fund are abolished; visas will be "issued on the spot" for travelers going to and from the SEZs. Also the SEZ governments' rights will remain, including the right to approve enterprises' import and export management; the right to examine and organize the import of production facilities for the province's own use and the import of raw and supplementary materials and commodities which are in short supply in the province's own markets; the right to examine and approve export-oriented projects not restricted by state quotas; the right to develop foreign invested projects related to energy resources, transportation and communications and other infrastructure, and tourism; the right to lease the right to use state land to investors according to the law—with maximum lease term of 70 years; the right to approve the development of mineral resources, except those designated by the state. Also, investors at home and abroad may still set up joint-venture or wholly foreign-owned development companies or develop whole parcels of land in Hainan, and investors may still set up joint ventures, cooperative ventures, or wholly foreign-owned enterprises, or invest in any other utilize other form approved by law.

Two, "special" in system: Hainan SEZ's government was built, and its functions were standardized, according to the characteristics of a modern market economy—one that emphasizes fairness and efficiency, speed and effectiveness at the same time. Therefore it is unique in many ways compared to the traditional government of the planned economic system or even to a government making its transition from the old to the new economic system. Moreover, with respect to the establishment of market entities, we are in the process of breaking through with a modern enterprise system in which shareholding is the main organizational form. At the same time, this is accompanied by the setting up and improvement of the market system and market intermediaries. Reform of the system of distribution and the design of the framework of the social security system are moving ahead of the rest of the nation. Today, we have a market economic system "with government regulation and control but where enterprises (companies) are the main entities," and we are moving toward perfecting that system.

Three, "special" in legislation: Hainan SEZ has local legislative rights. By the beginning of this year, 130 local laws and regulations pertaining to the market economy have been promulgated. In the last few years, every major reform measure being introduced have always been accompanied by laws and regulations, and sometimes, just to be ready for the unexpected, laws and regulations have preceded the introduction of new reform measures. For example, prior to the setting up of a property rights exchange market, some local laws and regulations pertaining to the exchange of property rights have already been discussed by Chinese and foreign experts and enterprise managers. Currently, a series of laws and regulations pertaining to quality and quantity control, state property management, urban planning, land development, market

competition, and financial securities have either been promulgated and put into practice or are being decided and drawn up. We are hopeful that the Hainan SEZs will be the first to have a fairly definitive, fairly stable market economic system which relies mainly on legislative regulation and control and is supplemented by administrative regulation and control.

Four, "special" in experience: Overall, Hainan SEZ's reform and practice have lent the economically backward regions with fresh experience on how they can quickly set up their own market economic system, and in turn it has enriched the socialist theories with Chinese characteristics. It has actively and effectively explored such questions as how the economically backward regions can use their naturally endowed resources plus the special policy of opening up to get their own economies started and to welcome outside funds, technologies, and talents, so as to change their backward outlook fairly quickly and skip the development links which took some economically more advanced regions decades to get through and directly link up with the large international and domestic markets; how they can cut out the unnecessary red tape of the old system and set up the framework of the new system as soon as possible; how they can make bigger strides and newer steps when moving ahead as a whole and making breakthroughs at key points during reform.

Five, "special" in environment: Hainan SEZ has a bona fide island-style, regional economy. It is vast in area and rich in natural resources. These are advantages other SEZs do not have, and they provide the unique condition that make the all out effort to find ways to set up SEZs a success. The developers of SEZs are using this arena to widen their avenue of thinking, to be creative, to accomplish something big, and to vividly and dramatically inject this "special" tone into agriculture, industry, trade, commerce and other sectors, and they look for things that supplement this "specialness" and in turn create comprehensive superiority out of this "specialness." At the same time, Hainan SEZ's development not only must blend with the economies of the interior provinces but must also link tracks with the international economy. This situation inevitably pushes the entire SEZ to a higher level of market maturity, and in a certain sense, it provides opportunities as well as poses challenges. It is exactly because of this unique environment that if we fail to build internal strength and gather internal vitality, we will not be able to meet the challenges and in turn will miss the opportunities. Thus, the unique environment has decided that the people here are charged with a mission more arduous than that undertaken by the others.

In summing up the above five points, we have every reason to treat Hainan SEZ's "specialness" as a very precious resource. We must cherish it, tap its potential, and make use of it and in turn "create new superiorities and scale new heights."

How do we begin to "create new superiorities and scale new heights"? In my opinion, we must first analyze the depressed economic situation which has persisted for a year.

On the surface, the SEZ's economy is plagued by a slow real estate market and a weak stock market, and some enterprises' production and management are in trouble and are plagued by poor economic efficiency. On the one hand, this is the delayed reaction to the overheated real estate market and loss of economic order from early 1992 to the first half of 1993, and it is also a further indication of our lack of experience at this early stage. On the other hand, it is the necessary price we pay for curing the problems of an overheated economy, the loss of order, and for the elimination of excessive investment-biases.

At a deeper level, since the latter half of last year, we have not been able to deal with the depressed economy mainly because we have been slow and less than vigorous in readjusting the economic structure, especially the existing stock of assets, and because allocation of resources in society is still improper.

Thus, to radically eliminate these problems in the economy, we cannot just rely on tightening or easing regulation and control over the total quantity; rather we must work on the economic structure and the industrial structure. Only by skewing toward the primary and secondary industries and the key point and mainstay projects can we provide the firm, dynamic foundation for Hainan SEZ's total economic recovery and in turn help it scale new heights. No matter from which angle we look at this, optimizing the SEZ's structure is something we must do. The sooner we do it, the sooner we seize the initiative and the sooner we reap the benefits; the longer we wait, the more we will be put on the defensive; and if we don't do it, we will never solve the problems, and then there will be no sustained, steady, and smooth development to speak of.

Optimizing the economic structure and the industrial structure actually means optimizing the combination of factors of production and readjusting various interest relationships. Therefore, we should actively create conditions and comprehensively promote this systematic project. In terms of the adjustment mechanisms, we must attach importance to the government's administrative regulatory role, but we must also bring the market economy's regulatory role into full play and gradually develop a structurally optimal internal mechanism. As for how to make adjustments, we should organically combine the adjustment of the incremental quantities with the adjustment of the existing stock to make the optimization of the structure successful, striving to improve the poor structure to the greatest extent and in the most effective way. Today, we should categorize those industries and trades and enterprises that need changing the most, line them up, draw up a whole set of measures, and make early preparations for comprehensive adjustments.

In the adjustment process, so far as the objective and the central task are concerned, we must firmly establish that machinery and electronics, petrochemical, power transport facilities, auto manufacturing, and ecological agriculture are the SEZ's mainstay industries. These industries are interrelated and highly technical; they have good

market prospects and play a very important role in promoting the upgrading of the industrial structure and improving the overall quality of the region's economy. Therefore, we must make vigorously cultivating and supporting the mainstay industries the SEZ's general policy and purpose and make this the starting point when designing and formulating the industrial organization policy, the industrial technology policy, the industrial layout policy, the foreign capital and foreign trade policy, and the special purpose industrial policies. In terms of developmental strategy, we should start in the following three areas:

We should vigorously reinforce the basic structure and ease the "bottleneck" that has been holding back the SEZ's economic development. In recent years, in the wake of rapid economic growth, we have been encountering increasing short-supply in infrastructure and the basic industries, which not only has pushed up production cost and product prices but has obstructed the SEZ's fast-paced and fine economic development. From now on, the SEZ's composite index of economic growth should be kept at an average rate of 7 percent a year. This will put more demand pressure on the infrastructure and basic industries. Therefore, we must be resolute, concentrate our strength, and accelerate the development of transportation, communications, energy, important raw materials and other industries. The "specialness" in policy, in system, and legislation discussed earlier must be skewed in this direction to provide the comprehensive protection in the form of policy, system, and law. In other words, the preferential policy must go deep to support and nurture the basic industries, and when pioneering new systems, we must focus on the vitalization of the basic industries, and this kind of bias must be put on the legislative track. In short, we must truly treat the three "specialness" as a kind of rare resource and combine them with other resources and allocate them properly, so that the basic industries are put onto the standardized and legislative track from the very beginning.

We should accelerate the process of industrialization and urbanization of agriculture to ease the contradictions of the dual economy. How do we turn the dual economy into a modern economy? This is a problem the SEZ can neither hide from nor circumvent, and it is also the core content of the industrialization, socialization, and modernization of the economic society. Since the development and opening up of the Hainan SEZ, not much has been done to ease the contradictions in the dual economic structure, and to some extent, the problems have grown worse. Therefore, we should consider the following when we choose our cross-century economic development strategy: One, we should focus our attention on the coordinated development of rural and urban industries. By upgrading the industries in the cities and yielding the traditional industries to the rural areas, the latter may be able to keep their advantage in labor-intensive industries for another five to 10 years, so that they need not soon lose their comparative advantage amid higher labor cost when they compete in the market. Two, we should accelerate the pace of urbanization, and by

creating another Haikou or another Sanya and developing several satellite cities in the economically backward areas, we can enhance our ability to absorb the surplus agricultural labor force. To speed up the progress of urbanization, we must promptly abolish the system of urban and rural segregation and eliminate parts, and eventually all, of the existing household registration system.

We should readjust the internal structure of the tertiary industry. Currently, there is a kind of thinking we should take note of, and that is, anytime the tertiary industry is mentioned, people naturally begin to talk about tourism this and tourism that, as if the two are synonymous and are one and the same. The fact is, this is a big misunderstanding about developing the SEZ's tertiary industry. Tertiary industry itself is a huge industrial system; its internal structure is very complicated. To talk about vigorously developing the tertiary industry summarily is neither accurate nor scientific. If we look at the Hainan SEZ, more than 80 percent of the population and land are concentrated in the rural areas. Even the crop growing, breeding, and aquatics businesses, which play a pivotal role in agriculture, need to know how to accelerate the development of the tertiary industry, strengthen the union between agriculture and commerce, and raise agriculture's comprehensive productive capacity and economic efficiency to a new level. This is also a question of how we can utilize our agricultural resources fully and properly. The SEZ's agriculture has a choice of three development modes: One, "experience-based agriculture" (the ancient form of agriculture); two, "petro-agriculture" (form of agriculture of the industrialization era); three, "ecological agriculture" (form of agriculture of the late-industrialization era that uses biotechnologies and electronic technologies). History has shown again and again that the fundamental mistake of "experience-based agriculture" is that it ruins the environment; "petro-agriculture" has caused serious environmental pollution; therefore, the only option is "ecological agriculture" and broadly utilize biogenetic engineering and electronic technologies to control nature effectively and set the direction to cultivate improved crop varieties to provide people with high-grade, uncontaminated food while continuously improve the ecological surrounding and re-create good natural conditions. But to develop high-yield, high-quality, and high-efficiency ecological agriculture that earns foreign exchange, we must first readjust the organizational structure of agricultural production properly and promote the integration of planting, breeding, and processing and set up and perfect a socialized agricultural services system. This is an area where the tertiary industry can really distinguish itself.

As for tourism, there is also an internal structural problem that needs readjusting. This involves the development of different categories of tourist resources, the construction of tourist transport facilities, the layout of tourist board and lodging facilities, and the production and sale of tourist merchandise. All these require coordinated development; we cannot and should not just dwell on building luxury hotels. In addition, with regard to tourist culture, we

should also go deep to tap potential and change our tendency to be too crude and broad.

We should realize that the above strategic choices not only are necessary but are also workable.

1. The Hainan SEZ has clearly increased in comprehensive strength as a province and has the material and technological bases to support rapid growth. Of the several dozens important projects which have been under construction since the end of the seventh five-year period and particularly during the eighth five-year period, some have already shown results, and some will produce results soon, and others will be turned into real productive force three years before the ninth five-year period at the latest. This will lay a good foundation for putting the whole area's economy on even higher ground.
2. Reform and opening up have created the condition for giving full play to the area's superiority in resources and for utilizing domestic and foreign resources. The SEZ has a rich reserve of untapped natural resources; it has a huge surplus labor force and can maintain its comparative advantage in low labor cost for sometime to develop the "three forms of import processing and compensatory trade." As we become more industrialized, and considering the fact that resource conservation and higher added value will lower the coefficient of resource consumption, and with imports supplementing market supply as we open up, our superiority in resources will be affected to some extent, but so long as we maintain coordinated economic development as a whole, the SEZ's resources can meet the needs of sustained rapid growth for sometime.
3. Economic development is guaranteed by our "specialness." There are six more years between now and the end of the century. In the next six years, the systemic conditions for the area's economic and social development must be better than before. Thorough reform is still the basic condition allowing the SEZ to maintain its sustained and rapid growth. Reform during this period will promote new prosperity in the SEZ via the market economic system's fast and efficient operations.

[16 Jul 94 pp 1, 2]

[Article by Jin Wen (6855 3080), president of CPC Hainan Provincial Party Committee Party School, Vice Chairman of Hainan Province's Federation of Social Science Circles, and Professor of Economics: "The SEZs' Value Lies In Being 'Special'; Otherwise They Will Not Be Special Zones"]

[FBIS Translated Text] From some time, some people outside of the SEZs believed that with the development of "fair competition" in the market economy, there would be no need for "SEZs" anymore. Many people in the SEZs increasingly felt that there was nothing "special" about the "SEZs." Recently, Comrade Jiang Zemin said that the "SEZs must be even more special" and that the Central

Party Committee's determination and the guiding principle to set up SEZs remained unchanged. This speech naturally was valued and welcomed by many.

I. Does "Fair Competition" Rule Out the Existence of SEZs?

At a glance, the development of a socialist market economic system and the creation of an environment for "fair competition" mean that we should no longer extend preferential policy to certain regions, and therefore in terms of policies, we should have uniformity and should close the gap; otherwise, we will be contradicting the principles of the market economy, our imminent return to GATT, and fair competition. This kind of understanding which appears to be right but is in fact wrong has shaken the confidence of people in the SEZs and is blurring the distinction between "special zones" and nonspecial zones.

In fact, many countries, including the United States, Germany, France, and Japan, which have been operating under a market economy for several hundred years have always emphasized fair competition. They are signatories to GATT, but at the same time, they have also set up free ports, export processing zones, science and technology industrial parks and other kinds of special economic zones. Reportedly, up to the end of 1989, there were more than 800 special economic zones of various kinds in the world, scattering over the field continents in more than 120 countries and regions. Countries and regions that install these special zones also implement policies and management systems in these zones not ordinarily implemented elsewhere. Facts prove that the existence of "special zones" does not interfere with the operation of the market economy and the process of fair competition in other areas, and inside the special zones, the market economic system and fair competition still go on.

These countries do not install different economic systems inside and outside of the special zones; they only have different policies and management systems. For example, free trade zones and export processing zones generally are exempt from customs restrictions and tariffs, while outside of those areas, generally there are customs restrictions and tariffs. If this is looked upon as regional unfair treatment, then it is for the purpose of meeting the country's specific economic and political goals and does not interfere with the normal functioning of the market economy inside and outside of the special zones. Moreover, the special zones are always small in area, and certain special treatment should not have an impact on the overall situation.

II. What Is "Special" About the Special Zones?

Even in the special zones there are international conventions. Looking at the many special zones internationally, the main difference between them and other areas is that the state's exceptional economic policies and management methods. Generally, these policies and methods consist of the following: a) imports and exports are exempt from customs restrictions and tariffs; b) enterprise income tax and product circulation taxes are exempt or reduced; a

low-tax system is implemented, and accelerated depreciation is allowed; c) foreign capital and profit are remitted into and out of the zones freely; d) active support is provided in the form of credit; e) streamlined and efficient management organs are set up to provide enterprises with convenient and speedy services; e) good, complete infrastructure is provided at low cost; f) cheap but ample labor is available.

It is these special policies and management methods that make the special zones very attract to foreign investors and managers. Combining resources like funds, technologies, and management and administrative experiences, which are very rare, with labor, land, and other natural resources which are relatively rich in supply in the special zones, we have the productive force to achieve rapid growth and give impetus to their rapid economic development and in turn achieve the state's goal in setting up special zones in the first place.

Things distinguish themselves from other things by the laws of their own nature. What differentiates the special zones from ordinary places is none other than the special policies and management methods the state implements in the special zones. These special policies and management methods in turn have a major impact on economic and social developments. If the special zones practice basically the same policies and management methods as all other areas, if other areas can do what they can do, and if they cannot accomplish what other areas cannot do, then these "special zones" are no longer "special," and then they are no longer "special zones," or they are special in name only but not in fact. The special zones may be different from other localities in terms of natural resources, economic structure, and extent of economic development, or they may even have an advantage in certain areas, but these are not the essence that make them different from ordinary places.

III. The Static and Dynamic Superiorities of Special Zones

Judging by international practices, many of the preferential policies and management methods a sovereign state gives to its special zones are long-termed; they last for decades or even centuries, and this is what gives their superiority a sense of stability. This kind of stability is also static stability and plays a very important role in the special zone's sustained and speedy development.

Of course the special zones' superiority also has its dynamic side. For example, China's several SEZs have the responsibility to test the restructuring of the economic system. At the beginning, they enjoyed the rights and privileges of opening up to the outside world; no other regions had that privilege. After the all-out opening up of the cities along the coast, the rivers, and the borders, this kind of unique preference enjoyed by the SEZs was evened up. When the Hainan SEZ was first formed, the state tested the economic system that "emphasizes market regulations" here, and so it was the first to get a taste of the market economic system. The Third Plenary Session of the

14th Party Central Committee put the whole nation on the socialist market economic system, and Hainan's special privilege is now shared by the whole nation. But as a special zone, it must still have some kind of preferential policy and management method that differs from those in other areas. For example, Hainan SEZ retains the 15 percent enterprise income tax rate; foreigners may still obtain visas on-the-spot, and it still has substantial legislative power and other special treatment. Also, when a particular special treatment is evened up, it is always supplemented or replaced by a new and necessary special policy or management method. In my opinion, this is what is meant by the "SEZs must be even more special."

The special zones' superiorities lie in two places: First, they have an advantage in the special policies and management methods. This is the most basic. Second, they have economic advantages. The former is the prerequisite to the latter; the latter is the goal of the former. We must strive to utilize the first advantage to bring out and develop the second advantage.

[19 Jul 94 pp 1, 2]

[Article by Lei Zhongming (7191 1813 6900): "Hainan's Industry: New Situation Demands New Superiorities—An Interview With Peng Qinghai (1756 1987 3189), Chairman of Hainan's Department of Industries"]

[FBIS Translated Text] During his recent fact-finding tour of Guangdong Province, General Secretary Jiang Zemin made an important speech on the subject of SEZ development. He pointed out that the SEZs' development has entered a new phase where better overall quality and new superiorities are needed. He said that we must develop the SEZs' new character by creating new superiorities and bringing them to full play. What should Hainan's industries do to increase and create new superiorities under the new situation? Recently, this reporter interviewed Comrade Peng Qinghai, chairman of Hainan's Department of Industries.

First, Chairman Peng Qinghai briefly discussed his understanding of the gist of General Secretary Jiang's speech. In his opinion, General Secretary Jiang's important speech gave expression to Comrade Deng Xiaoping's theory on constructing a socialism with Chinese characteristics and was an important guiding principle for doing a good job in the SEZs. The SEZs must be even more "special"—this is a great inspiration to the cadres and masses in the SEZs. The speech further clarified the direction of our effort, reinforced our confidence in doing a good job in the SEZ, and help Hainan's industries create new superiorities under the new situation.

Peng Qinghai said that we should realize that in the six years since Hainan became a province and started the SEZ, the economy has developed rapidly, and society's outlook has changed dramatically. We have had gratifying results. In particular, with respect to reform and opening up and the setting up of a new system for the socialist market economy, we have explored, gathered experience, and have set up a preliminary framework for the new economic

system, and like the other SEZs, we have made important contributions to the nation's reform and opening up and modernization, playing the roles as "window," "testing ground," and "scout." It is because we have this foundation that despite the state's fairly tight macroeconomic environment, Hainan has continued to do well in economic construction and industrial development and all economic indicators have shown varying degrees of growth: We have had bumper harvests despite the draught; industries have shown growth momentum, and in particular, the large and medium-sized enterprises have shown steady growth; importing from abroad and cooperation with units in the interior provinces have been more successful than in previous years, and we have done an outstanding job attracting businesses and investors. For example, Sanya Power Plant, Sanya Refinery, Wencheng Shipyard and other major projects are in the works; market prices and the financial situation are basically stable. Thus, given these conditions, we must remain sober-minded, face up to the new problems and difficulties, readjust our strategy, find countermeasures, and blaze new trails in development. We must work on the system and turn "policy advantage" into "systemic advantage" to promote the SEZ's rapid development.

As for how to accelerate Hainan's economic and industrial development today, Chairman Peng Qinghai has several ideas. He said,

1. Pay Attention To the Handling of Four Relationships:

One, the relation between government and enterprises: Given the conditions of a market economy, after the government's functions change, its enterprise management should consist primarily of macroeconomic regulation and control, supervision and services. The government must stress strengthening supervision of state properties in enterprises to guarantee the preservation and appreciation of their value. In particular, it must strengthen management over enterprises implementing the shareholding system and help discipline those that are not operating according to standard and prevent the loss of state properties in shareholding enterprises. Furthermore, enterprises must strengthen and focus on the construction of party organization; they must still play an important role in enterprises.

Two, relations between localities and the central authorities: The Party Central Committee and the State Council have given Hainan's construction and development much help over the years. In particular, the promulgation of Documents No. 24 and 26 has provided Hainan with many preferential policies. This year, the state has introduced some new reform measures, and some existing regulations will be changed. Therefore, Hainan must try to win the continued implementation of some preferential policies. In addition, the provincial government must strengthen ties and cooperation with the central government's offices in Hainan, including the banking, business inspection, and customs departments and win their support in Hainan's economic development.

Three, relations among various departments and administrations within the province: After major policies and guiding principles are decided by the provincial party committee, the provincial departments and administrations must share identical views and take concerted action to implement them. Even if they have differences in opinions, they should keep each other informed and not shirk responsibilities or blame each other. In particular, on some borderline policy matters, they should not be too rigid when they can be accommodating. They must be flexible and work together to promote Hainan's economic development.

Four, relations between the departments and bureaus and the cities and counties: Departments and bureaus under the province's jurisdiction are functional departments of the provincial government. They must have a macroeconomic program to provide the cities and counties with better guidance.

2. Make Transformation of the Corporate System the Focal Point In Accelerating the Development of a Modern Enterprise System

We should continue to speed up the transformation of enterprises under the shareholding system and focus on some large- and medium-sized state-owned enterprises and the new industrial key-point projects. On the basis of last year's pilot project, Hainan's industrial enterprises should go all out to reorganize the state-owned enterprises into limited liability companies with legal persons as shareholders. We should further deepen the reform of the three enterprise systems and abolish the existing cadre and worker employment system, promote the system of open recruitment of factory directors (managers), and eliminate the distinction between cadres and workers and among workers of different ownership systems. Enterprises and workers should have "two-way choices." The rear service system should be removed from enterprises; society should take over the tasks, so as to reduce enterprises' burden. We should do a good job in the pilot project of sorting out the assets and verifying fund sources of 104 enterprises, and based on each enterprise's own situation, we should optimize the resource allocation through merger, leasing, contract, auction, transfer of ownership, and bankruptcy procedure, so as to create conditions and lay the foundation for a modern enterprise system.

3. Accelerate Enterprises' Technological Progress

First, we should determine the technological transformation tasks for the second half of this year and next year and work on 500 technological transformation projects, including 100 key point projects. The technological transformation projects should include not only the industrial enterprises but also transportation, communications, harbor, farmland reclamation, and township and other production enterprises in society. A province-wide enterprise technological progress work conference has been planned for August, and prior to that, we should come up with a list and content of the 500 technological transformation projects. Second, we must prepare for the development and propagation of 100 new technologies, 30 of

which must reach national or international advanced standards, and we should come up with the list and the content of those project toward the second half of this year. Third, we should ascertain the availability of funds for enterprise technological transformation. The State Economic and Trade Commission values and supports Hainan's enterprise technological transformation. We should comply with the Commission's request to promptly come up with projects that make full use of Hainan's resources, that are efficient, and that have good prospects, and we should report to the State Economic and Trade Commission and try to get more state support in the form of special loans. Meanwhile, we should actively link up and coordinate with banks and financial administrations and other departments to make sure that funds for technological transformation will be available when needed. Enterprises, localities, and departments should adopt various methods to raise their own funds to guarantee their needs. We should further widen the channels for gathering funds for technological transformation, actively go abroad to recruit business people and attract foreign capital in order to accelerate the pace of Hainan enterprises' technological transformation.

4. Strengthen Spiritual Civilization on the Industrial Front

We must hold tight with both hands and be firm in both hands, and while we work on economic construction, we should also take hold of enterprises' spiritual civilization. Enterprises must further reinforce the construction of party organization and strengthen its supervision and leadership. We must do a good job with enterprises' civilized productions and strengthen on-the-spot management of their production and get rid of their filthy, chaotic, and bad appearances. We should plant trees, flowers, and grass to beautify enterprises' surrounding. The provincial Department of Industries is prepared to convene a big spiritual civilization and civilized production meeting in August. We should foster and raise enterprise spirit and create a good enterprise cultural atmosphere characterized by unity, civilization, and the desire to be better, so as to enhance enterprise solidarity and promote the development of enterprise production.

Departments in charge of industries at all levels must change their work attitude and work method and study harder to grasp the key points, difficult points, and hot points in developing industries. They must go deep into the grass-roots level to investigate and ask questions and help enterprises solve practical problems. We have already decided on several special topics for study this year: For example, the question of enterprises' party construction given Hainan SEZ's conditions; the impact of the restructuring of the financial and tax systems on enterprises; the problems and solutions in the development of the port's economy; the question of how to manage enterprises' technological transformation under the new system after reform. We must assign people to take charge and complete the studies on time and do a quality job. We should strengthen the government organizations' workstyle, and all cadres and staff and workers on the industrial front

must put their hearts into Hainan's industry and go all out to develop Hainan's industries, do practical work, and make new contributions. We must have first-rate work enthusiasm and first-class service standard; we should be reformists, pragmatists, and pioneers.

Chairman Peng also talked about the provincial Department of Industry's plans to accelerate the pace of recruiting businesses and attracting investors, speed up the development of an industrial development zone that takes advantage of the harbor, vigorously develop township industries, grasp the key point industries and trades, and concentrate its energy on industries' production tasks. Finally, he said, if Hainan's industries are to scale new heights, whatever plans we make, we must focus on the word "special," as pointed out by General Secretary Jiang. This means we must plant a foothold on maintaining our existing advantages and make full and skilful use of all the preferential policies. At the same time, we should focus on formulating new systems to create new superiorities. He believes that the SEZ must be even more "special," and adding Hainan's geographic advantage and advantage in resources, the future of Hainan's industrial development is boundless.

[21 Jul 94 pp 1, 2]

[Article by Wang Junyan (3769 1498 1484), CPPCC Member, Vice Chairman of Hainan Province's Federation of Social Science Circles, and Hainan University Law Professor: "Offer Advice and Work Hard To Help the SEZ Create New Superiorities"]

[FBIS Translated Text] When Secretary General Jiang toured Guangdong, he made an important speech on SEZ development. It was the latest exposition from a strategic high point on the nature, role, and function of the SEZs delivered by the highest-ranking party and state official. Secretary General Jiang stressed that setting up SEZs was a component of Comrade Deng Xiaoping's theory on constructing a socialism with Chinese characteristics and was a great endeavor. He said that we must make SEZ development a part of the entire modernization process. He clearly stated the Party Central Committee's and the State Council's attitude toward the SEZs and reiterated the "three things that will not change"; he insisted that the SEZs must be even more "special" and must "create new advantages and scale new heights." General Secretary Jiang clearly explained the reasons for setting up and developing the SEZs; he summed up the experiences, stated his stand, and pointed out the direction. Like pouring water off a steep roof and splitting bamboo with a hatchet, he swept down irresistibly from a commanding height; the words were precise and the idea was comprehensive. To those of us who live in the SEZ and work in the social science field, it was indeed an education; it was most heartening. We must diligently study this speech and truly understand the gist of General Secretary Jiang's instruction, offer advice, and contribute effort to help the SEZ create new superiorities.

Because the whole country is opening up comprehensively and setting up the socialist market economic system, the

policy difference between the SEZs and the interior provinces is narrowing; there is little systemic advantage left, and some people have come to believe that the SEZs are no longer "special." Starting out from the overall state of reform and opening up and modernization and summing up the SEZs' experiences and roles over the last 15 years, General Secretary Jiang drew the conclusion that the SEZs must still be "special," and they must create new superiorities.

In my opinion, creating new advantages means making use of existing superior factors while tapping internal potential, expanding intension, bringing new advantages to play, and not stopping at the special policies extended by the central authorities or expecting them to grant us other special policies. We must work on "adding" and "creating."

On how the SEZs can create new advantages and scale new heights, General Secretary Jiang had five suggestions, all of which are feasible for the Hainan SEZ. We must go deep and diligently put them into effect.

To create new advantages, first, we must know our own advantages, seize our own advantages. They include geographic surrounding, material resources, basic conditions, and policies and systems and so on.

Hainan is located along the southern border; its population is small and so is the total area. It is rich in land and ocean resources; it has first-level administrative right and enjoys policies exclusive to SEZs; it has local legislative power and is fairly autonomous and independent. Since it became a province six years ago, its economic growth rate has consistently led the nation's. It is flexible and versatile and very adaptable; its prospects for future development are vast. We must seize these advantages and work even harder on importing (including bonus money, talents, and science and technology) and development, optimizing the combination of resources, and in reform and opening up.

Today and for some time to come, we should pay special attention to and work hard in the following areas:

First, we must accelerate the development of the socialist market economic system, and in this respect, we must give play to our own role as "window," "testing ground," and "scout."

Setting up and perfecting the socialist market economic system is a huge, systematic social endeavor. The whole nation cannot move at the same pace; some must take quicker steps and others may trail behind; some may move faster while others move slower. We in Hainan should go first, move faster. To this end, we must:

1. Go all out to build a whole series of markets:

The market economic system is based on a comprehensive, complete set of markets. To set up a market economic system, we must go all out to build a whole series of markets, including markets for factors of production, means of sustenance, financial, labor, information, knowledge, and property rights. Hainan has taken action with

respect to the development and setting up of securities, futures, housing and real estate, and enterprise property rights markets, but they have only just begun; they are flawed; there are many blank loopholes. For example, the financial market has made no significant progress, and Hainan's currency is still not freely convertible.

2. Accelerate the development of a modern enterprise system:

As the target mold of enterprise reform, the modern enterprise system is closely linked to the socialist market system. The modern enterprise system is characterized by well-defined property rights, a healthy legal person system, separated government and enterprise functions, lively management mechanisms, and standardized and scientific management. The modern enterprise system centers around the modern corporate system. It is a modern enterprise system with socialist characteristics; it is dominated by the existing public-ownership system but also links tracks with international conventions and usual practices. It meets the needs of socialized great production and reflects the needs of the socialist market economic system. As the largest SEZ, Hainan must accelerate the development of the modern enterprise system. To this end, while we diligently implement the country's "Corporate Law," we must formulate the corresponding laws and regulations and implementation methods and adopt some versatile and effective measures, such as accelerating and expanding the establishment of the enterprise property rights market and transforming state-owned enterprises under the corporate system.

3. Diligently change the government's functions:

The market economic system is an economic system that utilizes market mechanism to allocate resources. To accelerate the establishment of a socialist market economic system and a modern enterprise system, we must accelerate the change from the traditional practice of letting the government allocate resources centrally and governing enterprise production and management directly. We need to make major changes and adjustments of the government's economic management functions. The government should guide and constrain the market and enterprises through laws and regulations and macro regulation and control measures. It must abolish or combine some administrative organs overlooking various trades and set up some intermediary organizations, such as trade associations, to mediate matters between society and various trades. To this end, we must actively adopt measures and formulate proper rules and regulations to guarantee the actual change in government functions.

Second, we should diligently improve the investment environment, protect key investment resources, and improve economic efficiency.

Since Hainan became a province and set up the SEZ, the investment environment has improved dramatically. Momentum is good in importing from abroad and cooperating with units in the interior provinces, especially in attracting Hong Kong and Taiwan capital which make up the bulk of foreign investments. We must continue to

improve the investment environment, especially the intangible conditions, strengthen public security, diligently protect the safety of foreign business people, and do a good job with the Yangpu Economic Development Zone and the Taiwanese-Funded Development Zone. We must give full play to the potential and the impact of these two development zones and increase the efficiency of foreign investments. We must attract and safeguard the continuous input of foreign capital and strive to expand foreign financial resources.

Third, we must put a firm grip on the "three movements" and gradually achieve the "five freedom."

All along we have had many different programs on the direction of Hainan's industrial development. For example, there were suggestions of letting "industry dominate," "agriculture be the base," or "tourism take the lead" and so on. Opinions differ, and no decision could be reached. I believe that the direction of industrial development should vary depending on the place, the time, and the people (investors); we must not insist on making uniform rules and sticking to convention. The island can be divided into several districts. Some cities and counties may emphasize developing industries while others emphasize agriculture, and even others focus on the tourist trade. Some may set up industrial villages, others may set up modern farms, and even others can build tourist attractions; they need not all be the same. The most urgent task today is to seize the "three movements"—movement of traffic, goods, and funds.

Hainan has a weak foundation in transportation. This is one of the key factors constraining its economy and affecting investments. Some progress has been made in recent years, but limited by financial strength, there have been no rapid improvements. We must focus on highway construction around the island and develop maritime routes, build inland river and oceangoing fleets, and we should speed up sea, land, and air transportation facilities.

To expand the island's internal and external trade and speed up the circulation of goods and materials, we must expand the circulation domain, accelerate the turnover of goods and materials, and expand foreign trade. Take a development zone like Yangpu for example. An important part of the preliminary work should be to focus on circulation, which primarily means developing business. We should build several shopping centers, which will be a great attraction and will have great impact on domestic and foreign investments.

The gathering and distribution of funds is the driving force behind economic development. In this regard, Hainan must step up its effort and work hard to open and develop

commercial banks, ease the policies toward civilian-run financial institutions and foreign-funded banks, so that Hainan can gradually develop into one of the main coastal financial bases.

Seizing the "three movements," can also give impetus to the development of other industries and service trades, so that Hainan can "come alive" sooner.

While seizing the "three movements," we should gradually achieve the "five freedom," that is, freedom to import and export goods and materials, freedom of fund circulation, freedom to go to and from the island, freedom to open and close enterprises, and freedom to convert currencies—first, we must allow relatively free circulation of Hong Kong and Taiwan currencies in Hainan.

Finally, we must give full play to the advantage of local legislative power and accelerate the legislative pace to complement existing laws.

The First Session of the Seventh National People's Congress ratified the decision to grant the Hainan People's Congress local legislative power, allowing Hainan to formulate necessary laws and regulations according to the constitution and the state's laws and rules and regulations while taking into consideration its own situation. This is a great advantage, even better than if the central government had granted us specific policies. We must give full play to this advantage. A few years ago, we formulated some fairly progressive local laws and regulations on piloting the shareholding system, on enterprise registration, and on tax collection and administration. They have produced good results and profound impact. But they still fall far short of the needs of the socialist market system, the modern enterprise system, and the roles as "window," "testing ground," and "scout" in the thorough reform process. We must exert more force, speed things up, and accelerate the pace of drawing up a complete set of laws. A complete set of laws refer to laws governing five areas when setting up and perfecting the socialist market economy, that is, laws pertaining to market economic entities; laws governing the conduct of the market economic entities; laws safeguarding market economic order; laws on the government's macro regulation, control, and guidance; laws pertaining to the social security system. Some of the laws and regulations are being formulated by the National People's Congress and the State Council, but Hainan can also move ahead with others, such as laws pertaining to the reform or development of property rights exchange, finance, bills, prices, social intermediaries, and social security and so on. To accelerate the legislative pace, we can try commissioning various bodies to draft the laws. In short, we must guarantee Hainan's active and steady legislative process and guide and guarantee the SEZ's healthy development.

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